

More Than Bricks and Mortar

UK home builders' progress in creating sustainable communities

Autumn 2010



JONES LANG
LASALLE®

Report
sponsored by:



LLOYDS BANK
CORPORATE MARKETS



Note to Readers:

The content of this report contains the results of the NextGeneration 2010 Sustainable Communities Benchmark and are accurate as of November 2010.

The development of benchmarking criteria began in September 2009, prior to the change in Government in May 2010.

The home builders were also benchmarked in May 2010 based on their performance during their last 12 month financial reporting year between June 2008 to May 2010.

The report therefore assesses home builder's performance in meeting many of the policies and standards of the previous Government.

The content of this report is presented as a review of home builder's performance against these policies and standards. The recommendations contained relate to how performance against these policies and standards could be improved.

Following the change in Government in May 2010, there has been a significant number of changes proposed that will redefine how home builders deliver socially and economically sustainable communities which have not been discussed in detail as they are outside of the scope of this document.

For the Government's current policy in relation to home building, readers should contact:

The Department of Communities and Local Government (DCLG)

For a wider discussion of how more socially and economically sustainable communities can be delivered by home builders, separate from Government policy, readers should refer to a separate NextGeneration Thought Piece publication which is intended for publication in February 2011.

November 2010

© 2010 WWF-UK, The Homes and Communities Agency, and Jones Lang LaSalle. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, including photocopying or recording, or by any information storage and retrieval system, without permission from the copyright holders.

The findings, interpretations and opinions expressed in this report are those of the authors and do not necessarily reflect the opinions of member companies of NextGeneration.

Front cover: Putney Wharf. A mixed use, mixed tenure regeneration scheme by the Berkeley Group overlooking The River Thames by Putney Bridge.

Contents

1	Executive summary	5
2	Introduction	16
3	Benchmark context	17
3.1	The UK economy and housing sector in 2009	17
3.2	The outlook	18
3.3	The political context	19
3.4	Why benchmark sustainable communities?	21
4	The NextGeneration initiative	23
4.1	Executive committee	23
4.2	Endorsements	23
4.3	2010 membership	23
4.4	Wider activities	24
5	The benchmark methodology	25
5.1	Benchmarked companies	25
5.2	Benchmarking process	25
5.3	Benchmarking criteria	26
6	Summary of results	28
6.1	Company rankings in 2010	28
6.2	Listed companies vs. non-listed companies	29
6.3	Public transparency	29
6.4	Home builders vs. multi-sector companies	30
7	Strategy, governance and risk management	32
7.1	Results overview	32
7.2	Performance against individual criteria sections	32
7.3	Strategy	33
7.4	Risk management	34
7.5	Governance	35
8	Delivering sustainable communities	37
8.1	Results overview	37
9	Location and connectivity	39
9.1	Performance against individual criteria sections	39
9.2	Location	39
9.3	Connectivity	40

10 Planning and design	43
10.1 Performance against individual criteria sections	43
10.2 Public realm, open space and community facilities	43
10.3 Design standards and approach	45
10.4 Flexibility and space standards	47
10.5 Safe and secure places	48
10.6 Environmental design standards	49
10.7 Environmental infrastructure	51
10.8 Customer care	52
11 Engagement	55
11.1 Corporate engagement	55
11.2 Project engagement	56
11.3 Customer engagement	57
12 Management and legacy	59
12.1 Considerate construction	59
12.2 Post-occupancy evaluation and management	59
12.3 Economic development	61
13 Conclusions	62
14 Recommendations	64

1 Executive summary

Introduction

This report contains the findings of the sixth NextGeneration benchmark, an annual benchmark of the top 25 UK home builders' sustainability performance. This year's benchmark examines the home building industry's success in delivering sustainable communities.

The home building industry's focus over the last few years has very much been on the environmental issues associated with sustainability, such as energy efficiency and carbon reduction. However, home builders clearly play an important role in creating sustainable communities, both within the developments they create and also in the wider community.

Since the publication of the Sustainable Communities Plan in 2003¹ and The Egan Review – Skills for Sustainable Communities in 2005², delivering the vision for sustainable communities set out in these policies has become a greater issue for the home building industry. These two pieces of policy from the previous Government made issues, such as community safety, space standards, flexibility of tenure, space and use, design quality, equality and community governance, as important as the environmental impact of the buildings that home builders construct.

The benchmark has therefore taken the definition of a sustainable community from The Egan Review, in conjunction with other policies and standards, as the basis of a set of criteria upon which home builders performance in delivering sustainable communities has been assessed.

The NextGeneration benchmark (see Box A) has brought together those UK home builders responsible for delivering 50% of the annual housing output from the private sector³ with WWF-UK and the Homes and Communities Agency to review the industry's progress in meeting the challenge of creating sustainable communities.

This review represents one of the first attempts to both define and understand the home builder's role in creating sustainable communities and to provide the industry with a holistic tool to measure its own performance in this area. The report shows the progress that has been made to date in delivering sustainable communities and also highlights the challenges ahead if the vision for sustainable communities is to be fully realised.

¹ Sustainable Communities: Building for the Future [online]. <http://www.communities.gov.uk/publications/communities/sustainablecommunitiesbuilding> [Accessed November 2010]

² Egan Review – Skills for Sustainable Communities, [online]. Available online: <http://www.communities.gov.uk/documents/communities/pdf/152086.pdf> [Accessed October 2010]

³ Department of Communities and Local Government, 2010. *House Building December Quarter 1 to 4 2009* [online]. Available from: <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housebuilding/livetales/> [Accessed September 2010]. Statistics refer to completions in England only. Member company output has been calculated from figures reported in annual reports and accounts and information provided by member companies.

Box A: NextGeneration – a partnership to deliver sustainable homes for 21st century living

NextGeneration was launched in 2006 building on the success of the Insight Investment and WWF sustainability benchmarks of the industry (undertaken in 2004 and 2005) and to expand the reach and ownership of the benchmarks.

Set up as a multi-stakeholder initiative, NextGeneration aims to drive best practice in sustainability into the heart of the residential sector by encouraging the home building industry itself to develop and deliver more sustainable homes. It is a platform which enables home builders to both identify the sustainability related risks to their businesses and develop a good understanding of how best to address the related opportunities.

For the 2010 benchmark, NextGeneration has been supported and directed by WWF-UK and the Homes and Communities Agency through their role on the Executive Committee. Upstream Sustainability Services at Jones Lang LaSalle acts as the secretariat to the initiative, carrying out the analysis for the benchmarking and delivering a range of services to NextGeneration members, including meetings, knowledge management sessions and electronic newsletters.

The unique output of NextGeneration is the production of an annual benchmark of the UK's top 25 home builders. The 2009 benchmark focused on the industry's approach to overall corporate sustainability while the 2010 benchmark has taken a topic-specific approach, following on from the success of the 2008 benchmark that focused on climate change.

Why undertake a sustainable communities' benchmark?

Despite economic pressures, the home building industry remains one in which sustainability impacts are of critical importance, primarily because of the length of time a home is occupied and used, particularly when compared to other consumer products or services. In addition, rising average global temperatures, increasing flood risk, water scarcity and energy supply problems all have significant environmental impacts on our homes.

The Government's target to reduce the UK's carbon emissions by **at least** 80% by 2050⁴ remains in place and will require all buildings to achieve a near-zero carbon level of emissions. In terms of carbon emissions, the residential sector is recognised as the area that is able to achieve significant reductions at a faster rate than other sectors. There also remains a pressing need for the supply of new homes due to demographic changes. The primary challenge for home builders is therefore clear; to increase the provision of low carbon homes.

However, as well as meeting people's physical needs, homes are also central to many social and economic issues faced by society, such as affordability, well-being, health, public safety and mobility. The process of creating new homes takes place within wider society and more specifically within local communities, therefore having a more tangible impact on social and economic issues when compared to other consumer goods or service industries that provide products or services more remotely.

It is against this backdrop that this year's benchmark has focused on sustainable communities, a concept that recognises the wider role of social and economic issues in delivering sustainable development.

⁴ Climate Change Act 2008. DECC. http://www.decc.gov.uk/en/content/cms/legislation/cc_act_08/cc_act_08.aspx

The Egan Review defines a sustainable community as follows:

“Sustainable communities meet the diverse needs of existing and future residents, their children and other users, contribute to a high quality of life and provide opportunity and choice. They achieve this in ways that make effective use of natural resources, enhance the environment, promote social cohesion and inclusion and strengthen economic prosperity.”

The Egan Review also provided further detail in the ‘Egan Wheel’⁵, illustrated in Figure A below:

Figure A: The Egan Wheel



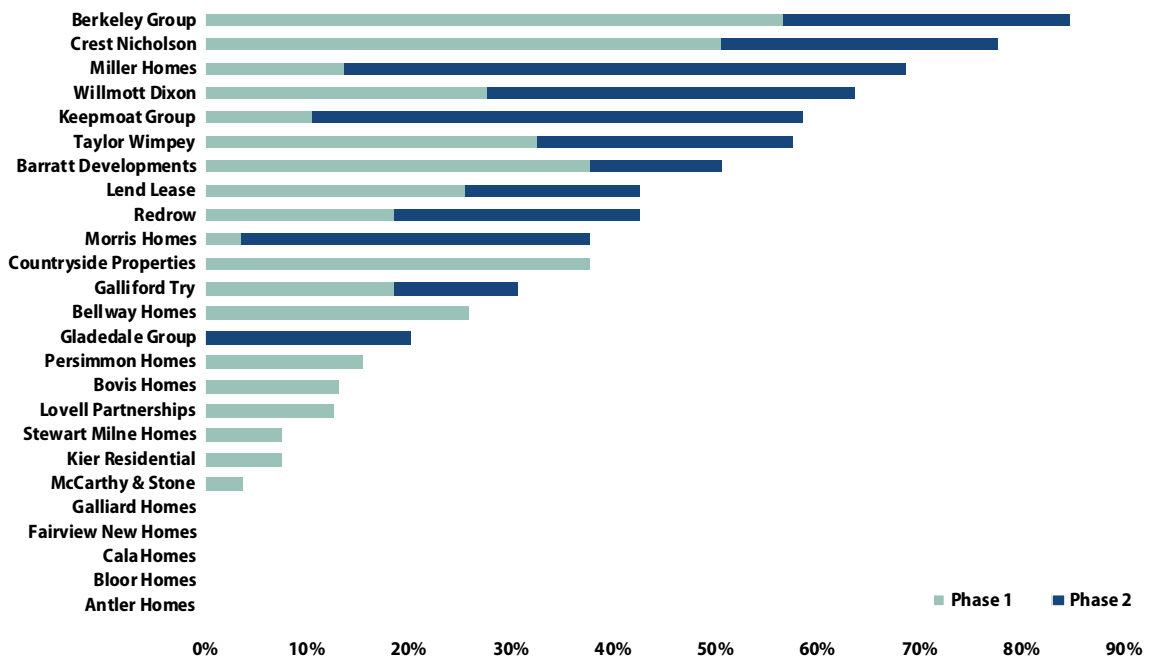
NextGeneration believes that by undertaking a sustainable communities benchmark, home builders can ensure that they are adequately addressing social and economic sustainability issues. Additionally, it is hoped that the benchmarking process, which included the creation of benchmarking criteria in consultation with the Executive Committee and benchmark members, has provided home builders with a forum to discuss sustainable communities issues and increase their understanding of how the evolving concept, created in The Egan Review, applies to them. The initiative has also provided a valuable link between home builders, Government and other stakeholders, allowing Government and other stakeholders to clearly understand the home builder's role and performance in this area.

⁵ Homes and Communities Agency – Play your part: Improve your Community. A toolkit for teachers. http://citizenship.homesandcommunities.co.uk/resources/text_wheel_550px.jpg [Accessed October 2010]

Overall results

The same three companies that were leaders in last year's benchmark – the Berkeley Group, Crest Nicholson and Miller Homes – have continued their high performance in this year's benchmark – achieving 85% (1st place), 78% (2nd place) and 69% (3rd place), respectively. This is shown in Figure B below:

Figure B: Top 25 overall performance



Despite the challenging economic climate, home builders have not reduced their commitment to sustainability issues, which is extremely positive and, combined with the same trend found in last year's benchmark, signals that sustainability continues to be seriously considered in home builder's operations and is not suffering through cost saving pressures.

Methodology

As with previous years, the benchmarking process is undertaken in two phases:

Phase one: The top 25 UK home builders (by size) are rated on the basis of their publicly-available information (corporate responsibility reports, sustainability reports, annual reports and accounts and corporate websites). They are assessed on their strategy, governance and risk management, as well as their efforts to deliver sustainable communities on the ground. The result of this phase is a score and ranking of their public transparency through reporting.

Phase two: The performance of the NextGeneration members is then evaluated further through face-to-face engagement with the companies. Their provision of internal evidence adds information in support of their performance in each of the areas outlined above.

A score of 100% in either phase would indicate that a company had achieved best practice as defined by the NextGeneration criteria. The detailed criteria and full results of this year's benchmark can be found on the NextGeneration website: www.nextgeneration-initiative.co.uk

Overview of results

The 2010 benchmark results show great variation in sustainability performance among home builders. Scores ranged from 0% to 85%, which is similar to the range of scores recorded in last year's benchmark of 0% to 87%. NextGeneration members outperformed non-members in all areas. Member companies scored an average of 53% under the benchmark while non-member companies scored an average of 10%.

Listed home builders continue to outperform non-listed home builders with the bottom six performing companies being non-listed developers. However, private companies such as Crest Nicholson and Miller Homes (2nd and 3rd place in the ranking) continue to perform highly, despite having less regulatory reporting requirements than listed companies, demonstrating that the lower reporting requirements for non-listed companies are not a barrier to good sustainability reporting.

Five companies scored 0% under the benchmark. However, as with previous benchmarks, we would highlight that non-member scores may not represent actual performance, but a lack of disclosure. As with any company that is not currently a member of NextGeneration, we would encourage these developers to join their peers and engage with the initiative to showcase their approach to sustainability.

In line with previous year's benchmarks, all home builders performed better in sections of the benchmark which relate to management of sustainability (strategy, governance and risk management) compared to sections which relate to delivery of sustainability, on average, scoring 40% and 28% in each section respectively. A greater weighting was allocated under the benchmark for delivery of sustainable communities (70%) compared to managing the delivery of sustainable communities (30%). This weighting was used to assess the home building industry predominantly on its delivery of sustainable communities on the ground through the housing developments it completes.

Strategy, governance and risk management

Below is an outline of each of the criteria within the strategy, governance and risk management section. Also highlighted is an example of best practice performance from member companies.



Strategy: Board-approved policy in place outlining the company's approach to sustainable communities, with related objectives and targets, a commitment to measuring performance and evidence of engaging with external stakeholders on the topic.

Lend Lease, a multi-national and multi-sector developer, has ensured that its UK home building operations have a clear strategy, with targets and performance monitoring, tailored to residential development and the UK context.



Governance: Clear governance structures in place at a management level or Board-driven implementation of the company's sustainable communities strategy, supported by a high-level working group drawn from across the business and a structured training programme.

Willmott Dixon has extensive governance structures in place in relation to sustainable communities, including representation from a sustainability consultancy on its Board, has a high-level internal working group drawn from all regions and divisions within the business and has delivered a programme of sustainability training to all staff and new starters.



Risk management: Risk management process of environmental, social and governance issues relating to sustainable communities is outlined in the company's annual reports and accounts, including a description of its methodology for calculating risk and assigning impact, including financial impact.

Berkeley Group assesses high-level sustainability risks in its Annual Report and Accounts and refers readers of the report to its public Sustainability Report, which examines these risks in more detail.

Location and connectivity

Below is an outline of each of the criteria within the location and connectivity section. Also highlighted is an example of best practice performance from the companies benchmarked.



Location: The proximity of developments to public transport is measured across all sites, reported publicly and the majority of development sites are close to a public transport node.

Crest Nicholson records and monitors the location of its developments to ensure they have good accessibility to public transport and reports publicly on its performance in this area.



Connectivity: Commitment to reducing car dependency on developments through the provision of home office facilities, car clubs, cycle storage and innovative transport initiatives.

Taylor Wimpey has implemented innovative ways to encourage residents to reduce their car usage, such as car clubs and providing vouchers to new residents to purchase a bicycle.

Planning and design

Below is an outline of each of the criteria within the planning and design section. Also highlighted is an example of best practice performance from the companies benchmarked.



Public realm, open space and community facilities: The extent to which the company provides the following on its developments: large green areas or parks, public art, refurbished heritage buildings, space designed for specific groups, and community rooms or buildings for use by residents.

Redrow has delivered various public and community spaces, including an award-winning new town square in Barking where the development incorporates a new public library, learning centre, council one stop shop and crèche.



Design standards and approach: Approach to design of developments and the extent to which best practice design standards, such as Building for Life, are used.

Berkeley Group has set a minimum target for all of its developments to achieve 'Silver' under Building for Life, the Government's housing design quality standard, and is working with the Commission for Architecture and the Built Environment (CABE), who manage the standard, to achieve this target.



Berkeley Group's Stanmore Place development, which won a Building for Life 'Gold' Award



Flexibility and space standards: How developments are designed in line with local and national demographic trends, how easily homes can be adapted to suit residents' changing needs and how the company decides on the size of its homes.

Morris Homes' standard house range is capable of complying with the Homes and Community Agency's space standards and furniture layouts.



Safe and secure places: All homes and external spaces are designed to minimise crime and residents are provided with information to help them contribute to the security of their home and community.

Willmott Dixon ensures consultation takes place with local police on the design of all of its developments and residents are provided with information in handover manuals on how to use the security features in their home, as well as contact details for the local police.



Environmental design standards: Homes are designed to the highest possible environmental standards, such as EcoHomes and the Code for Sustainable Homes, to minimise energy use, water use and waste generation.

Galliford Try has built a number of private sale units to Code for Sustainable Homes Level 4 and Level 5, without Government funding.



Environmental infrastructure: Energy, water and waste infrastructure which benefits the widest possible community is integrated into as many developments as possible and the company is proactive in participating in industry initiatives to deliver this infrastructure.

Barratt Developments has partnered with an energy supplier to develop a communal heating system that it has used on several developments in London. Residents were invited to an open day to find out more information about the system and to ask the supplier questions.



Barratt Developments' Dalston Lane development incorporating a community heat network

Engagement

Below is an outline of each of the criteria within the engagement section. Also highlighted is an example of best practice performance from the companies benchmarked.



Stakeholder engagement: The company has identified its key stakeholders, how it will engage with them and can provide examples where engagement with stakeholders has resulted in changes to the way they operate or to the design of its developments.

Crest Nicholson sets out its stakeholders in its public reporting, has engaged with organisations such as the Zero Carbon Hub, UK Green Building Council and BioRegional to enhance its sustainability performance, and adopts a standard approach to consultation on all of its developments.



Car club at Crest Nicholson's One Brighton development delivered with BioRegional



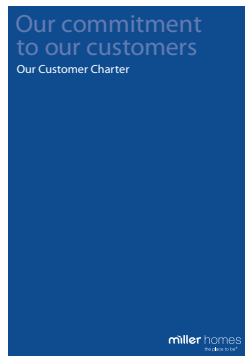
Customer engagement: Provision of information to customers regarding sustainability, before and after the sale of a home, and the extent to which community interaction is encouraged by the developer on its developments.

Miller Homes provides buyers of its homes with access to websites on which residents of a new community can communicate with their neighbours, share information and make social arrangements.



Customer care: Commitment to delivering excellent customer care to all residents and delivering high-quality homes with a minimum of defects.

Miller Homes has a 'customer journey book' which ensures high levels of customer care are maintained from the moment a customer purchases a property to after they have moved in. This has contributed to 98% customer satisfaction, as measured by a third-party organisation.



Miller Homes
Customer Charter

Management and legacy

Below is an outline of each of the criteria within the management and legacy section. Also highlighted is an example of best practice performance from the companies benchmarked.



Considerate construction: All sites are signed up to the Considerate Constructors Scheme and the company achieves best practice scores under the scheme.

Berkeley Group registers all of its sites with the Considerate Constructors Scheme and achieves an average score under the scheme above the best practice benchmark of 32 points.



Post-occupancy evaluation and management: Commitment to assess the success of developments after completion and to implement the lessons learned into future developments and operations.

Keepmoat Group has monitored the environmental performance of an energy efficiency solution, including using thermal imaging to demonstrate energy savings made. This was used to obtain grant funding to replicate the solution across other developments.



Economic development and job creation: Commitment and contribution to developing skills and employment opportunities within the industry during the construction process, and also in the creation of long-term employment opportunities on developments.

Gladedale Group has worked with partners such as Job Centre Plus to deliver training schemes on its projects and has encouraged long-term employment opportunities on its developments by providing small or start-up businesses with rent-free space.

Creating sustainable communities... and beyond

As can be seen by these results, home builders have begun to respond to the challenge of delivering sustainable communities and have considered how it applies to their operations and developments. This has resulted in the inclusion of sustainable communities issues in company reporting alongside environmental issues, which is an encouraging step. However, environmental sustainability issues are still the main focus in many companies' reporting and activities. It has now been six years since The Egan Review introduced the concept of sustainable communities and the industry needs to consider how to drive this vision through to the buildings they construct with improved performance against current Government supported design standards, such as the Code for Sustainable Homes, Lifetime Homes, Secured by Design and the Building for Life standard.

It is also important that the industry responds to the new Government's objectives in relation to sustainable communities, such as those to be contained in the proposed Decentralisation and Localism Bill. In particular, how to greater involve local communities in the design, management and benefits of new communities. Having established how sustainable communities' issues can be integrated into their strategic thinking, design and construction activities, home builders are recommended to now turn their attention to how these issues can be addressed once the development has been completed and is occupied.

To enable home builders to deliver truly sustainable communities, it is critical that Government sets out its expectations of the industry in this area, particularly by clarifying the role of other stakeholders in delivering sustainable communities, such as local authorities, or other organisations that are key to co-ordinating the development of community infrastructure, which is outside the responsibility of individual home builders. Additionally, Government has a key role to take in resolving issues with the standards it currently advocates for new housing, as well as the wider planning system, to allow home builders to deliver the best product possible on each development site.

It is against these factors that NextGeneration is making the following recommendations to both industry and Government in order for home builders to deliver the Government's vision for sustainable communities.

Recommendations to industry

- Ensure that social and economic sustainability issues are given equal weighting as environmental issues in reporting, target setting and operations.
- Seek to ensure that sustainable communities and wider sustainability issues are adequately integrated into annual reports and accounts.
- Set more challenging targets to deliver a greater proportion of homes to Government-endorsed standards such as Code for Sustainable Homes, Lifetime Homes, Secured by Design and Building for Life and undertake better data monitoring against these targets.
- While progress has been made in delivering on-site renewable energy generation, water saving and recycling measures, greater consideration should be given to the delivery of community-level solutions in these areas.
- Ensure that engagement with local communities during the planning phases is consistent across all developments site, both in terms of methods and timescales.
- Apply the principles established in the Consumer Code for Home Buyers as widely as possible, making sure that not only employees meet these standards, but also smaller sub-contractors, and that all home buyers understand their rights and options.
- Take a greater role in facilitating the long-term management and integration of new communities, particularly during the initial phase after completion of a development.
- Undertake, more frequently and rigorously, a post-occupancy evaluation of all aspects of a development in order to capture and apply lessons learned.
- Give greater attention to the long-term economic sustainability of new communities and how they can help facilitate employment opportunities after the construction of a development.

Recommendations to government

- Maintain global leadership in delivering low carbon housing and working with the industry to reach its ambitious targets.
- Ensure the planning system provides a clear framework for home builders and is implemented consistently across all decision-making bodies, from local through to national levels.
- Work with the industry to resolve any technical, procedural or administrative issues within sustainable communities' standards.
- Research why some standards are not being adopted by the industry and what could be done to increase adoption.
- Facilitate sustainable communities by coordinating approaches to issues which are more effectively resolved at a community rather than development level, such as transport and environmental infrastructure, high-quality public realm and community facilities.

2 Introduction

This report contains the results of the 2010 NextGeneration benchmark of the performance of the top 25 UK home builders in delivering sustainable communities.

The home building industry's attention over the last few years has very much been on the environmental issues associated with sustainability, such as energy efficiency and carbon reduction. However, home builders clearly play an important role in creating sustainable communities, both within the developments they create and also in the wider community.

Issues such as community safety, space standards, flexibility of tenure, space and use, design quality, equality and community governance are as important as the environmental impact of building construction.

This benchmark represents one of the first attempts to both define and understand the home builder's role in creating sustainable communities and to provide the industry with a holistic tool to measure its own performance. This summary report shows the progress that has been made to date in delivering sustainable communities, and highlights the challenges ahead if the vision for sustainable communities is to be fully realised.



3 Benchmark context

3.1 The UK economy and housing sector in 2009

The economic turmoil that began with the credit crunch in August 2007 led to the UK officially entering recession on 23 January 2009⁶ when it was confirmed that Gross Domestic Product (GDP) had fallen by 1.5%. GDP continued to reduce during the remainder of 2009, however growth of 0.4% was recorded in the final quarter of the year⁷. 2009 also saw a continuation of the trends that began with the credit crunch in 2007; reduced mortgage availability, rising unemployment, decreased sales volumes, restricted new home output and weakening house prices.

Gross lending reported by the Council of Mortgage Lenders (CML) during 2009 was £142.6 billion, a 43% decline on 2008 lending⁸. Bank of England base rates began the year at 2% and then reduced to a historical low of 0.5% in March, remaining unchanged for the remainder of the year⁹. Despite these low interest rates providing a supposed opportunity for first-time buyers to enter the market, most banks and building societies did not pass on the full bank rate reduction and continued to require large cash deposits before lending, with almost no 0% or 5% deposit mortgages on offer. 2009 also saw a further tightening of lending criteria, such as the credit rating required by an individual to obtain a mortgage. The exceptional measure of pumping £200 billion cash into the financial system through 'quantitative easing', that was started in March 2009 to encourage the flow of money within the economy, continued for the rest of the year and into 2010, and has only recently been put on hold by the Bank of England¹⁰.

Unemployment rose to 2.49 million by year end 2009 (7.9%)¹¹ and, in light of economic and employment uncertainty, consumers have continued to be cautious in their spending, even if in a job¹². With the twin pressures of low mortgage availability and higher unemployment, sales volumes of homes would be expected to have reduced, however volumes actually increased slightly during 2009 from 26,251 in January (-14.6% year on year) to 78,291 in December (+2.9% year on year)¹³.

The slight rise in sales volumes can potentially be explained by the demand for housing continuing to outstrip supply. Statistics from the Department for Communities and Local Government (CLG) show that annual housing completions in England totalled 118,000 in the 12 months to December 2009, down by 17% on the comparable period in 2008¹⁴. This remains insufficient to meet the likely demand for homes from the population which grew by 394,000 (0.6%) between mid 2008–mid 2009¹⁵. 2009 also witnessed an increasing trend in the number of people deciding to rent, rather than purchase, a property. The latest edition of the English Housing Survey (EHS) confirmed the number of owner-occupied homes fell by around 170,000 from its peak of 14,791,000 in 2005, to 14,621,000 in 2008–2009. On the other hand, the number of people renting has risen by one million since 2001¹⁶.

⁶ The Financial Times, BBC News, 2009. *Hopes dashed for swift UK recovery* [online]. Available from: http://www.ft.com/cms/s/0/72c2c36e-e92f-11dd-9535-0000779fd2ac.html?nckick_check=1 UK in recession as economy slides [online]. Available from: <http://news.bbc.co.uk/1/hi/business/7846266.stm> [Accessed October 2010]

⁷ Office of National Statistics. Statistical Bulletin. Available from: <http://www.statistics.gov.uk/pdfdir/qna0910.pdf> [Accessed October 2010]

⁸ Council of Mortgage Lenders [online]. Available from: <http://www.cml.org.uk/cml/media/press/2712> [Accessed October 2010]

⁹ Bank of England. Monetary Policy Committee Decisions 2009 [online]. Available from: <http://www.bankofengland.co.uk/monetarypolicy/decisions/decisions09.htm> [Accessed October 2010]

¹⁰ Bank of England. Monetary Policy [online]. Available from: <http://www.bankofengland.co.uk/monetarypolicy/assetpurchases.htm> [Accessed October 2010]

¹¹ National Statistics, 2009. *Employment Rate falls to 72.5%* [online]. Available from: <http://www.statistics.gov.uk/cci/nugget.asp?id=12> [Accessed October 2010]

¹² National accounts: Household final consumption expenditure at current prices. Office of National Statistics [online]. <http://www.statistics.gov.uk/StatBase/expodata/files/6879845781.csv> [Accessed November 2010]

¹³ Land Registry House Price Index. 2009 data – Custom Report [online]. <http://www1.landregistry.gov.uk/houseprices/housepriceindex/report/default.asp?step=4&locationType=0&area=E%26W-ALL&reporttype=1&datatype=1&from1=01%2F2009&from2=12%2F2009&image2.x=30&image2.y=9>

¹⁴ House Building: December Quarter 2009, England. CLG. [online] <http://www.communities.gov.uk/documents/statistics/pdf/14735021.pdf> [Accessed October 2010]

¹⁵ Office for National Statistics. <http://www.statistics.gov.uk/cci/nugget.asp?id=950> [Accessed October 2010]

¹⁶ English Housing Survey, Headline Report 2008–09 [online]. <http://www.communities.gov.uk/documents/statistics/pdf/1479789.pdf> [Accessed October 2010]

The combination of low supply and high demand, and the interaction of the economic pressures outlined before, worked to both suppress and raise house prices during 2009. The first four months saw reductions averaging -0.7% per month, however the remainder of the year witnessed increases in monthly house prices meaning that, by year end, the average house price was £166,524, up from £156,482 at the start of 2009¹⁷. Nonetheless, 2010 has seen a return to house price decreases, reinforcing the volatile and unpredictable nature of the market.

In response to the economic situation, home builders continued to restructure their businesses to ensure efficient operation, however the scale of redundancies and business streamlining that was evident during 2008 was not repeated. Instead, having reduced staff numbers and reorganised their business structures to better fit current operating environments, many companies turned their attention to other priorities. For instance, a significant number of home builders renegotiated finance agreements with lenders and investors and carried out a rationalisation of their land banks. They also redesigned schemes for the current market to have lower densities, a higher number of houses compared to flats, and higher proportions of social housing or alternative tenures, such as care homes or student accommodation. To increase sales revenues on existing or completed schemes, many home builders offered buyers the option of purchasing a home with an initial payment equivalent to 70-90% of the home value, with the remainder to be paid at some point in the future, between 1-5 years. This was done with and without the benefit of funding under the previous Government's HomeBuy Direct scheme where a loan equivalent to half of the outstanding balance was provided (up to a maximum of 15%).

These measures enabled work to begin or continue on a small number of sites, with assistance from the previous Government's Kickstart housing delivery scheme announced in the May 2009 Budget. The first round of the scheme saw 140 approved development sites receive total funding of £421 million, unlocking more than 11,000 new homes¹⁸. The second round of funding, which is still ongoing, is likely to provide total funding of £148 million, unlocking 5,000 new homes¹⁹.

3.2 The outlook

The outlook for the economy and the home building sector in 2010 remains uncertain. Sales volumes and average sales values have increased slightly, however low lending and high unemployment are still significant barriers to a full economic recovery. Many commentators continue to be concerned about a 'double dip' recession and the headline improvement figures in some economic indicators do not tell the full story. For example, the increases in house prices seen during 2009 could be explained by the traditional summer increase in market activity. Furthermore, house price increases and sales volumes have been the greatest within prime, central London residential locations where an increase in foreign buyers, encouraged by the weak pound and with significant cash or access to non-traditional finance, have driven up demand and therefore prices²⁰. Housing schemes in this area are therefore likely to make progress; however, for the rest of the country many schemes remain unviable in the current market. The timescales for recovery are beyond the scope of this report, however the summary of the economic environment is provided to give context to the recommendations to industry and to Government, with respect to sustainable communities contained in this report.

¹⁷ Land Registry. House Price Index – Custom Report [online]. <http://www1.landregistry.gov.uk/houseprices/housepriceindex/report/default.asp?step=4&locationType=0&area=E%26W-ALL&reporttype=1&datatype=1&from1=01%2F2009&from2=12%2F2009&image2.x=9&image2.y=8>

¹⁸ <http://www.homesandcommunities.co.uk/kickstart-round-one.htm>

¹⁹ <http://www.homesandcommunities.co.uk/public/documents/KHD-schemes-proceeding-sept2010.csv>

²⁰ <http://www.lloydsbankinggroup.com/media/pdfs/halifax/2010/251010MillionPoundSales.pdf> Lloyds Banking Group. Press release, October 2010 [online].

3.3 The political context

The previous Government took a number of steps to manage the impact of the recession on the housing market. The rise in stamp duty exemption, from £125,000 to £175,000, continued until 31 December 2009. A significant part of the Kickstart grant funding scheme was the promotion of the HomeBuy Direct scheme mentioned earlier. The number of HomeBuy Direct units delivered through the Kickstart scheme was 2,414 in Phase 1²¹ with the number to be delivered under Phase 2 to be confirmed. Many home builders have proactively adopted this model without Government funding as a means to increase short-term revenues. The previous Government's search for new funding for homes from institutional investors, such as pension funds, continued with its Private Rental Sector Initiative (PRSI)²² scheme, which was integrated into the Kickstart scheme and sought to match developers with investors looking to generate regular income from privately-rented residential property.

Much of the previous Government's attention was also on helping existing home owners too, via the Mortgage Rescue²³ and Homeowners Mortgage Support²⁴ schemes. These were designed to prevent people becoming homeless or to enable them to cope with 'income shocks' such as a sudden reduction in earnings due to redundancy.

With regards to sustainability, legislation of direct relevance to home building also came into effect, alongside other national, European Union (EU) and international legislation, which set the operating environment for home builders as well as other sectors.

New home building

A number of pieces of legislation had a direct impact on home builders' operations, as well as other property sectors:

- Consultation on improvements to Part L of the Building Regulations was undertaken during 2009, with the changes coming into force in October 2010. The main adjustment was a reduction in carbon dioxide emissions by 25% compared to 2006 Building Regulations, equivalent to the mandatory energy requirements for a Code for Sustainable Homes Level 3 home²⁵.
- **Feed-in Tariffs (FITS)** came into force in March 2010 from the previous Government, following legislation enabling their creation in the Energy Act 2008. These tariffs provide a guaranteed price for electrical energy sold back to the grid. Home builders therefore need to consider what arrangements are in place for themselves and residents to benefit from these tariffs.
- The Renewable Heat Incentive will provide subsidies for any supplier of renewable heat or renewable fuel to be used for heating purposes, from a household or community scale and including combined heat and power systems²⁶. The Incentive was also launched with the view to ensuring all homes undergo a green refurbishment by 2030²⁷.
- The **Green Energy (Definition and Promotion) Act 2009** defined 'green energy' and seeks to promote its development, installation and usage. The Act requires the Secretary of State to prepare and publish a strategy for the promotion of microgeneration in England and it also amends the Town and Country Planning (General Permitted Development) Order 1995 (S.I. 1995/418) to allow for the grant of planning permission for specified classes of equipment for microgeneration on homes²⁸.

²¹ Review of Kickstart Round 1. Homes and Communities Agency. December 2009 [online]. http://www.homesandcommunities.co.uk/public/documents/Kickstart_Round%201_Review.pdf [Accessed October 2010]

²² http://www.homesandcommunities.co.uk/private_rented_sector_initiative

²³ http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_187081.pdf Mortgage Rescue Scheme. HM Government [Accessed October 2010]

²⁴ http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_177649.pdf Homeowners Mortgage Support. HM Government. [Accessed October 2010]

²⁵ Proposed changes to Part L and F of the Building Regulations. Communities and Local Government [online] <http://www.communities.gov.uk/publications/planningandbuilding/partlf2010consultation> [Accessed October 2010]

²⁶ http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/policy/renewable_heat/incentive/incentive.aspx [Accessed October 2010]

²⁷ http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/policy/renewable_heat/incentive/incentive.aspx [Accessed October 2010]

²⁸ http://www.legislation.gov.uk/ukpga/2009/19/pdfs/ukpga_20090019_en.pdf [Accessed October 2010]

- The **Planning and Energy Bill** became law, requiring councils to set local targets for decentralized energy. In order to hit these, local authorities are allowed to adopt the Merton rule (subject to robust evidence demonstrating its need), by which they are able to ask developers to include renewable energy systems for new buildings within their plans²⁹.

Existing housing

So as to meet the Government's carbon reduction targets for the residential sector, the need to achieve reductions in the existing housing stock was also legislated for, at the same time providing lessons for new home builders in creating the existing stock of the future:

- In February 2009, the previous Government launched the **Heat and Energy Saving Strategy** to seek views on how to heat and power homes and businesses to meet its ambition of an 80 per cent CO₂ reduction by 2050³⁰. This has been replaced by the current Government's Green Deal Programme which aims to implement carbon reduction measures without the need for upfront costs.

National

Sustainability legislation affecting all industries was also enacted at the national level:

- The previous Government consulted on the implementation of the **Carbon Reduction Commitment** – a legally enforceable carbon trading scheme in place since April 2010 which will have a direct impact on the financial expenditure of home builders who fall under the scheme³¹.
- In July 2009, the Department for Energy and Climate Change (DECC) published the **Low Carbon Transition Plan**³², which laid out five-year carbon budgets recommended in the Climate Change Act. The budgets are aiming for carbon emission cuts of 34% by 2020.

European Union and international

Finally, legislation to deliver sustainability at European Union (EU) and international levels was enacted during 2009, influencing the wider operating environment for home builders in the UK:

- On 19 May 2010, a recast of the **Energy Performance of Buildings Directive** was adopted by the European Parliament and the Council of the European Union in order to strengthen the energy performance requirements of the directive. Key measures included a requirement for all buildings to be near zero energy by 2020, penalties for non-compliance, a harmonized calculation method and minimum standards for some components. From 1 September 2009, EU legislation also made it mandatory for all member states to work to replace non-energy efficient bulbs with energy-efficient compact fluorescent lamps (CFLs)³³.
- Environment ministers and officials met in **Copenhagen** in December 2009 to attempt to agree a successor to the Kyoto Protocol which came into force in 2005 (an international framework which has set globally-binding carbon reduction targets to the year 2012). Although an agreement with legally-binding targets was not reached in Copenhagen, many countries that were not included in the Kyoto protocol were brought into a new accord, such as the US, China and many large developing countries³⁴.

²⁹ <http://www.legislation.gov.uk/ukpga/2008/21/contents> [Accessed October 2010]

³⁰ <http://hes.decc.gov.uk/> [Accessed October 2010]

³¹ http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/crc.aspx [Accessed October 2010]

³² DECC, The UK Low Carbon Transition Plan, http://www.decc.gov.uk/en/content/cms/publications/lc_trans_plan/lc_trans_plan.aspx

³³ http://ec.europa.eu/energy/lumen/professional/legislation/index_en.htm [Accessed October 2010]

³⁴ http://unfccc.int/meetings/cop_15/items/5257.php [Accessed October 2010]

3.4 Why benchmark sustainable communities?

Despite economic pressures, the home building sector remains one in which sustainability impacts are of critical importance, primarily because of the length of time a home is occupied and used, particularly when compared with other consumer products or services. In addition, rising average global temperatures, increasing flood risk, water scarcity and energy supply problems are all becoming, to a lesser or greater degree, significant environmental impacts on our homes.

The Government's target to reduce the UK's carbon emissions by at least 80% by 2050 remains in place and will require all buildings to achieve a near-zero carbon level of emissions. The residential sector is recognised as an area that is able to achieve significant emissions reductions at a faster rate than other sectors. There also remains a pressing need for the supply of new homes due to demographic changes. The primary challenge for home builders is therefore clear: to increase the provision of low carbon homes.

However, as well as meeting a physical need, homes are also central to many social and economic issues faced by people, such as affordability, wellbeing, health, connectivity and crime. The process of creating new homes is also taking place within a wider society, specifically within local communities, and therefore has a greater impact on economic and social issues compared to other industries, where products or services can be delivered more remotely.

It is against this backdrop that the spotlight of this year's benchmark has fallen on sustainable communities, a concept that recognises the wider role of social and economic issues in delivering sustainable development.

Sustainable community is defined in The Egan Review as follows:

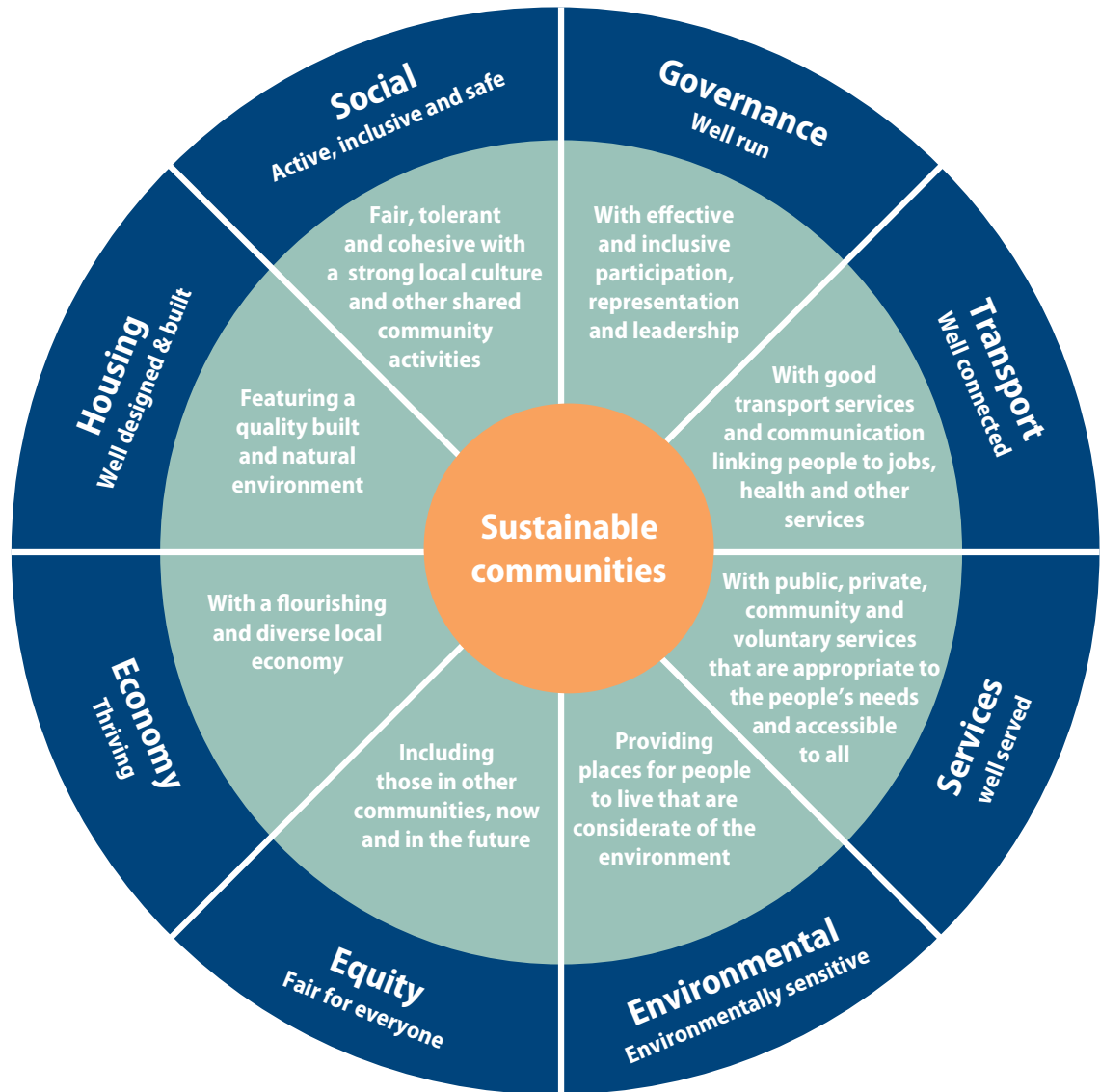
"Sustainable communities meet the diverse needs of existing and future residents, their children and other users, contribute to a high quality of life and provide opportunity and choice. They achieve this in ways that make effective use of natural resources, enhance the environment, promote social cohesion and inclusion and strengthen economic prosperity."

The Egan Review also provided further elaboration of the concept of a sustainable community in the 'Egan Wheel', illustrated in Figure 1³⁶.

³⁵ Egan Review – Skills for Sustainable Communities, [online]. Available online: <http://www.communities.gov.uk/documents/communities/pdf/152086.pdf> [Accessed October 2010]

³⁶ Homes and Communities Agency – Play your part: Improve your Community. A toolkit for teachers. http://citizenship.homesandcommunities.co.uk/resources/text_wheel_550px.jpg [Accessed October 2010]

Figure 1: The Egan Wheel



NextGeneration believes that by undertaking a sustainable communities' benchmark, home builders can ensure that they are seriously addressing social and economic sustainability issues. It is hoped that the benchmarking process, which included the creation of benchmarking criteria in consultation with the Executive Committee and benchmark members, has also provided home builders with a forum to discuss sustainable communities' issues and increase their understanding of social and economic sustainability. Furthermore, the initiative has also provided a valuable link to Government and other stakeholders, allowing them to clearly understand the home builder's role and performance in this area.

4 The NextGeneration initiative

NextGeneration was launched in 2006 as a multi-stakeholder initiative to drive best practice in sustainability into the heart of the new-build residential sector. By encouraging the industry to embrace more sustainable home designs and delivery, it is intended to be a platform from which home builders can both identify the sustainability-related risks they face and develop a good understanding of how best to address the related opportunities. The initiative is also aimed at providing investors and the Government with an objective view of the sector's performance in delivering sustainable development, allowing them to make better investment, policy and purchasing decisions.

4.1 Executive committee

For the 2010 benchmark, NextGeneration has been supported and directed by its Executive Committee partners: WWF-UK and The Homes and Communities Agency (HCA). The committee's role is to ensure the integrity and transparency of the initiative's governance. Upstream Sustainability Services (part of Jones Lang LaSalle) acts as Secretariat to the initiative, carrying out the benchmarking process and delivering a range of services to NextGeneration members, including running members' meetings, facilitating knowledge management sessions and producing newsletters.

4.2 Endorsements

In addition to the Executive Committee, a number of other organisations support the work of NextGeneration including the UK Green Building Council and Principles for Responsible Investment, a UN-backed investor initiative.

"Our mission is to dramatically improve the sustainability of the built environment, by radically transforming the way it is planned, designed, constructed, maintained and operated. Having been personally involved in the initiative for some years, I know that NextGeneration is instrumental in driving sustainability into the residential sector and I'm delighted to formally endorse it on behalf of the UK-GBC."

Paul King, Chief Executive, UK Green Building Council

"The home builders benchmarking process is an excellent model for other industries to follow. It is a collaboration involving investors, companies, regulators and civil society, and really gets to the heart of the material ESG issues within this sector and the drivers of long-term value."

James Gifford, Executive Director, Principles for Responsible Investment

4.3 2010 Membership

Companies

All of the UK's top 25 home builders were invited to become members of NextGeneration. The following 12 companies accepted the invitation and participated in the benchmark:

Barratt Developments	Morris Homes
The Berkeley Group	Gladedale Group
Crosby Lend Lease	Miller Homes
Crest Nicholson	Redrow
Galliford Try	Taylor Wimpey
Keepmoat Group	Willmott Dixon

Redrow rejoined the benchmark and Morris Homes joined for the first time during 2010.

Logic Homes continued their associate membership of the initiative, receiving the benefits of membership but without participating in the benchmark.

The membership base of NextGeneration in 2010 is responsible for approximately 50%³⁷ of private home output in the UK.

Services

Members benefit from a number of specific services provided by Jones Lang LaSalle, particularly greater engagement opportunities within the benchmarking process. NextGeneration also holds quarterly meetings with its members to discuss pertinent sustainability issues facing the sector. This is also a chance for other organisations to present to the NextGeneration membership, giving them access to 12 major UK home builders. During the course of the year, both the Homes and Communities Agency (HCA) and the Commission for Architecture and the Built Environment (CABE) have met with the member group and shared proposals on proposed HCA design standards and the Building for Life standard respectively.

4.4 Wider activities

Advocacy

Since its inception in 2006, NextGeneration has worked to position itself as a voice on sustainability issues for its home builder members. There are a number of groups that NextGeneration sits on to help disseminate the views of its members:

- Energy Efficiency Partnership for Homes³⁸ New Build working group
- Zero Carbon Hub³⁹ Examples and Scaling-Up workstream
- Zero Carbon Hub Skills and Training workstream
- Zero Carbon Hub Customer Engagement workstream

³⁷ This percentage has been calculated from statistics published in Building magazine's July 2009 edition, as well as directly from the companies in the top 25. Where statistics have not been available estimates have been made based on the percentage change in output of the home building companies from the previous reporting year.

³⁸ The Energy Efficiency Partnerships for Homes, <http://www.eeph.org.uk/> [Accessed October 2010]

³⁹ The Zero Carbon Hub, <http://www.zerocarbonhub.org/> [Accessed October 2010]

5 The Benchmark methodology

5.1 Benchmarked companies

The NextGeneration industry benchmark assesses the top 25 UK home builders by volume, based on the number of units they completed in the financial year 2008/2009.

The following companies were benchmarked; member companies are in **bold**:

Antler Homes	Gladedale Group
Barratt Developments	Keepmoat Limited
Bellway	Kier Residential
Berkeley Group	Lovell
Bloor Holdings	McCarthy & Stone
Bovis Homes	Miller Homes
Cala Group	Morris Homes
Countryside Properties	Persimmon
Crest Nicholson	Redrow
Crosby Lend Lease	Stewart Milne
Fairview New Homes	Taylor Wimpey
Galliard Homes	Willmott Dixon
Galliford Try	

5.2 Benchmarking process

The benchmarking process is undertaken in two separate phases:

Phase One: As with previous benchmarks, all 25 home builders were subject to Phase One of the benchmarking process, whether they were a NextGeneration member or not. This involved an analysis of each company's publicly-available information, such as corporate disclosure through annual reports or sustainability/corporate responsibility reports, and information on company websites, excluding sales material and press releases. The data analysed during this stage had to be publicly available before 31 May 2010. The results of this phase provide an assessment of the quality of reporting of UK home builders on sustainability issues as covered by the benchmarking criteria which are detailed in the next section. All companies were provided with a copy of their Phase One analysis and score. They were then given the opportunity to respond to the analysis, query scores and highlight any additional publicly-available information not initially captured. A final score for the quality of their reporting was then allocated.

Phase Two: NextGeneration members (only) met Upstream Sustainability Services at Jones Lang LaSalle to discuss their Phase One score and the scope of their supporting evidence. Each company was given the opportunity to provide further evidence to support its level of reporting commitments in respect of addressing sustainability issues. Members then received a Phase Two report outlining their updated score in light of any further information disclosed, thus generating a fuller performance assessment of NextGeneration members.

5.3 Benchmarking criteria

The 2010 benchmark is based on brand new criteria developed in conjunction with member companies and the Executive Committee. Readers should therefore note that the 2009 and 2010 benchmarks are not directly comparable, as they have assessed entirely different topics.

Where appropriate, the criteria have been aligned with Government policy and legislation (current at the time of inception), including Building Regulations, local planning policy (such as the Greater London Authority) and the funding requirements of the Government's National Affordable Housing Programme (NAHP) and Kickstart programme. NextGeneration members were consulted throughout the criteria development process and provided essential input.

The topics addressed within the 2010 criteria were as follows:

Strategy, governance and risk management

Strategy: Board-approved policy in place outlining the company's approach to sustainable communities, with related objectives and targets, a commitment to measuring performance, and evidence of engaging with external stakeholders on the topic.

Governance: Clear governance structures in place at a management level or Board-driven implementation of the company's sustainable communities' strategy, supported by a high level working group drawn from across the business and a structured training programme.

Risk management: Risk management process of environmental, social and governance issues relating to sustainable communities is outlined in the company's annual report and accounts, including a description of its methodology for calculating risk and assigning impact, including financial impact.

Location and connectivity

Location: The proximity of developments to public transport is measured across all sites, reported publicly and the majority of development sites are close to a public transport node.

Connectivity: Commitment to reducing car dependency on developments through the provision of home office facilities, car clubs, cycle storage and innovative transport initiatives.

Planning and design

Public realm, open space and community facilities: The extent to which the company provides the following on its developments: large green areas or parks, public art, refurbished heritage buildings, space designed for specific groups, and community rooms or buildings for use by residents.

Design standards and approach: Approach to design of developments and the extent to which best practice design standards, such as Building for Life, are used.

Flexibility and space standards: How developments are designed in line with local and national demographic trends, how easily homes can be adapted to suit residents' changing needs, and how the company decides on the size of its homes.

Safe and secure places: All homes and external spaces are designed to minimise crime and residents are provided with information to help them contribute to the security of their home and community.

Environmental design standards: Homes are designed to the highest possible environmental standards, such as EcoHomes and the Code for Sustainable Homes, to minimise energy use, water use and waste generation.

Environmental infrastructure: Energy, water and waste infrastructure which benefits the widest possible community is integrated into as many developments as possible and the company is proactive in participating in industry initiatives to deliver this infrastructure.

Engagement

Stakeholder engagement: The company has identified its key stakeholders, how it will engage with them and can provide examples where engagement with stakeholders has resulted in changes to the way they operate or to the design of its developments.

Customer engagement: Provision of information to customers regarding sustainability, before and after the sale of a home, and the extent to which community interaction is encouraged by the developer on its developments.

Customer care: Commitment to delivering excellent customer care to all residents and delivering high quality homes with a minimum of defects.

Management and legacy

Considerate construction: All sites are signed up to the Considerate Constructors Scheme and the company achieves best practice scores under the scheme.

Post-occupancy evaluation and management: Commitment to assess the success of developments after completion and to implement the lessons learnt into future developments and operations.

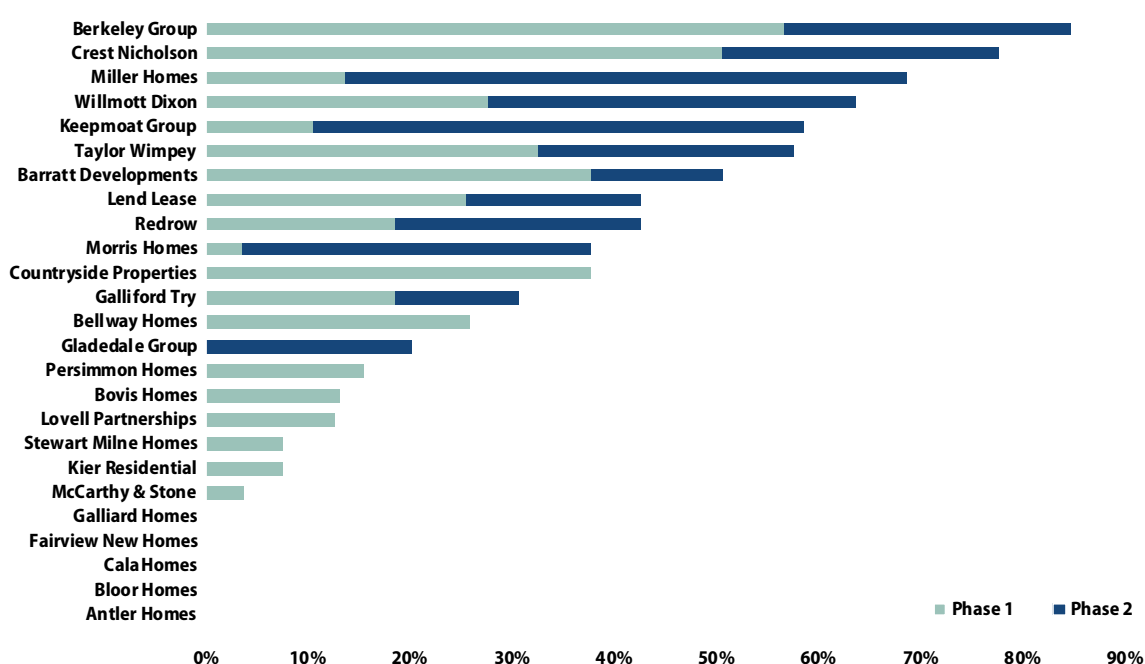
Economic development and job creation: Commitment and contribution to developing skills and employment opportunities within the industry during the construction process and also in the creation of long-term employment opportunities on developments.

6 Summary of results

6.1 Company rankings in 2010

As shown in Figure 2, three companies have emerged as leaders in this year's benchmark – Berkeley Group, Crest Nicholson and Miller Homes, achieving 85%, 78% and 69% respectively. Willmott Dixon (previously assessed as Inspace Partnerships before being re-acquired) retained fourth place and performed well under the benchmark. In fifth place is Keepmoat Group, who finished 11th last year and have therefore managed the highest level of improvement among the companies benchmarked. Four public limited companies (PLCs) make up the majority of the rest of the top ten, with Taylor Wimpey and Barratt Developments, the two largest home builders in the country, swapping places on last year's benchmark and finishing sixth and seventh place respectively. Lend Lease and Redrow are the two other PLCs, with equal scores of 43%. Tenth place is shared by Morris Homes, a new member of the benchmark this year, and Countryside Properties.

Figure 2: Top 25 overall performance



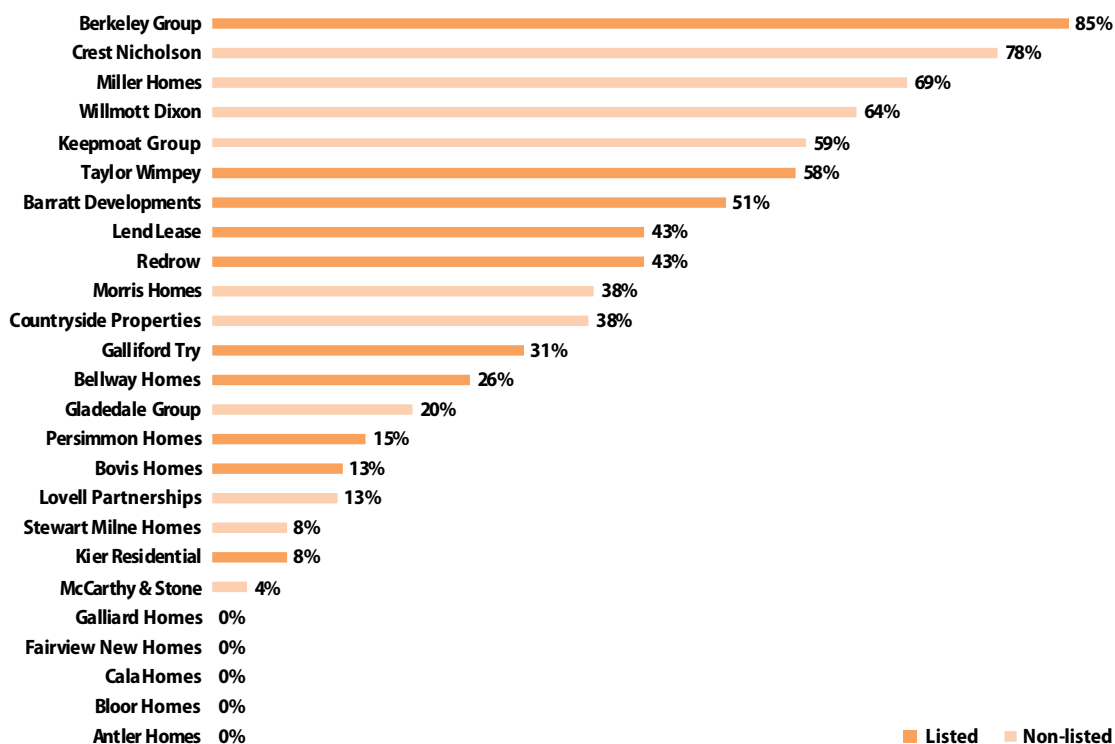
There were eight companies scoring below 10% under the benchmark, all of whom are not members of NextGeneration. These scores do not necessarily reflect their actual performance, but possibly a lack of disclosure of sustainable communities' information. As with all non-member companies, we would encourage these developers to join their peers and to engage with the initiative to showcase their approach to sustainability.

The average score for member companies in the benchmark was 53%, compared with 10% for non-members. Of the 13 non-member companies who are benchmarked, nine are private companies and therefore have fewer obligations to publicly report information, which explains some of the difference between the member and non-member averages. However, a number of private companies have shown that good performance under the benchmark is not dependent on a company's business structure. (Crest Nicholson and Miller Homes are private companies who have finished in the top three).

6.2 Listed companies vs. non-listed companies

Of those companies benchmarked, 10 companies are listed and 15 non-listed (see Figure 3). On average, listed companies outperformed non-listed with average scores of 37% and 26% respectively. While the average score for listed companies is greater than that for non-listed, four of the top five performing companies are privately owned. Public reporting on sustainability is therefore not driven by mandatory requirements, but by the extent to which the company sees sustainability as being integral to its business strategy and to its stakeholders i.e. investors, communities, consumers and so on.

Figure 3: Listed vs. non-listed companies

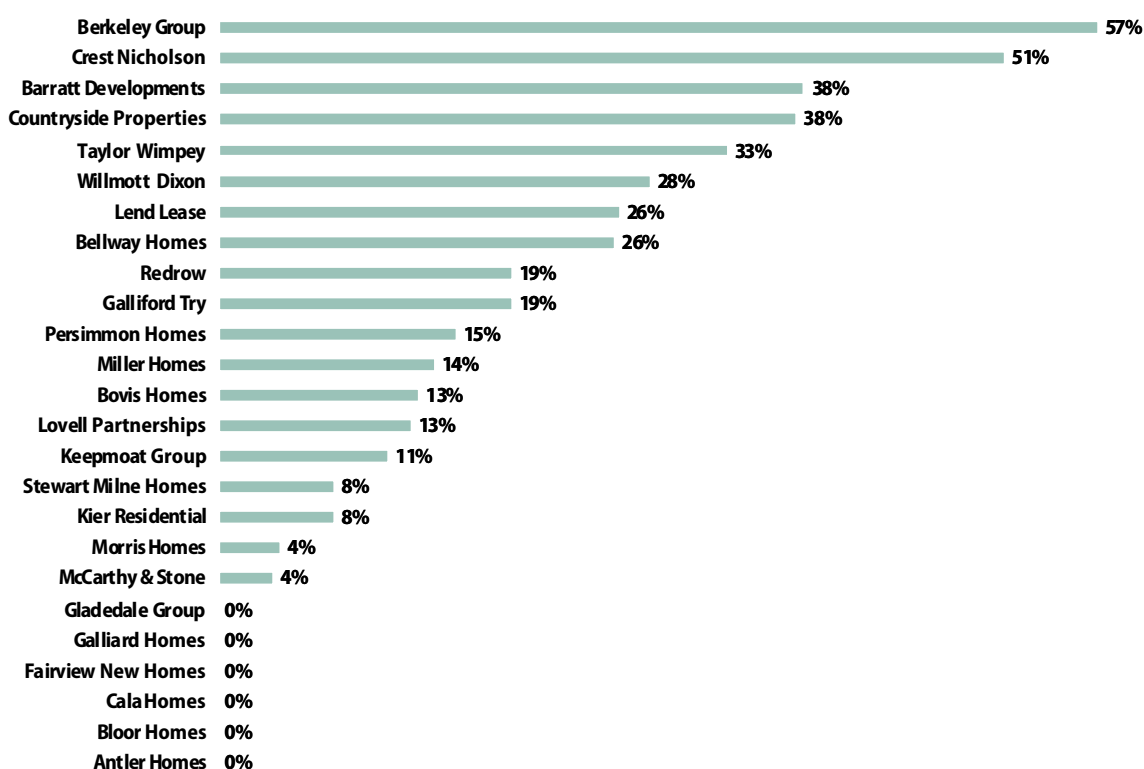


6.3 Public transparency

As outlined in the benchmark methodology section, the NextGeneration benchmarking is undertaken in two phases; the first phase is an assessment of companies' reporting and disclosure. Members and non-members are analysed on a like-for-like basis during this phase. The second phase is an assessment of members' additional information (not detailed in public communications). The following chart (Figure 4) looks at the top 25 companies' public disclosure in isolation.

The results show that the overall top-performing companies in the benchmark, Berkeley Group and Crest Nicholson, are also the highest achievers in terms of public disclosure. However, overall, the data reveals extremely varied performance between companies' approaches to reporting on sustainability issues. The highest non-member company score for public disclosure was given to Countryside Properties. The benchmark shows an encouraging increase in sustainability reporting in the sector from 17 companies in 2007 to 19 in 2010. This result is also positive given the specialist topic of this year's benchmark and demonstrates the increasing importance to companies of reporting transparently on their sustainability performance.

Figure 4: Public transparency



The six companies who disclosed only limited or non-current information on their approach to sustainable communities were: Antler Homes, Bloor Holdings, Cala Group, Fairview New Homes, Galliard Homes and Gladedale Group. Their appearance at the lower end of the assessment of public reporting does not necessarily reflect their actual performance in delivering sustainable communities, rather the extent of their disclosure of sustainable communities' information.

6.4 Home builders vs. multi-sector companies

As the sample of companies assessed under the benchmark is based on the number of homes completed, rather than the primary business activity of each company, the top 25 assessed includes a group of companies that not only build large volumes of homes, but also operate in other building sectors such as schools, hospitals or commercial buildings. A comparison can therefore be made between the challenges and opportunities faced by these businesses in reporting and delivering sustainable communities through housing developments, compared to those whose only activity is home building:

1. These companies also deliver sustainable communities through the projects they deliver in other sectors; therefore their performance in the home building sector is not necessarily indicative of their overall performance.
2. On a larger number of projects these companies tend to act as a principal contractor rather than as a developer. As a result, they can have less influence at the design stage of a project, as this may already have been fixed by the client. Their role in delivering sustainable communities may therefore be more as an influencer or enabler for a client, than as a designer.
3. As they will often not be the land owner on a development, these companies will have less influence over the location of projects.

Figure 5: Home builders vs. multi-sector companies

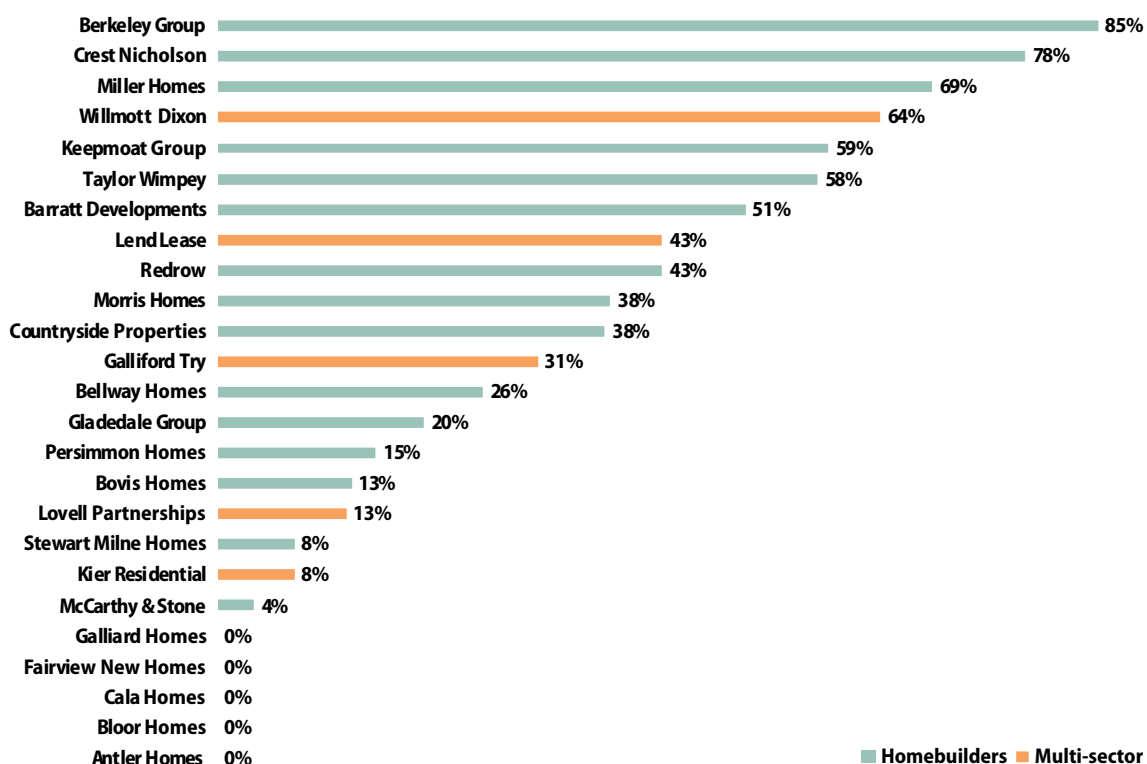
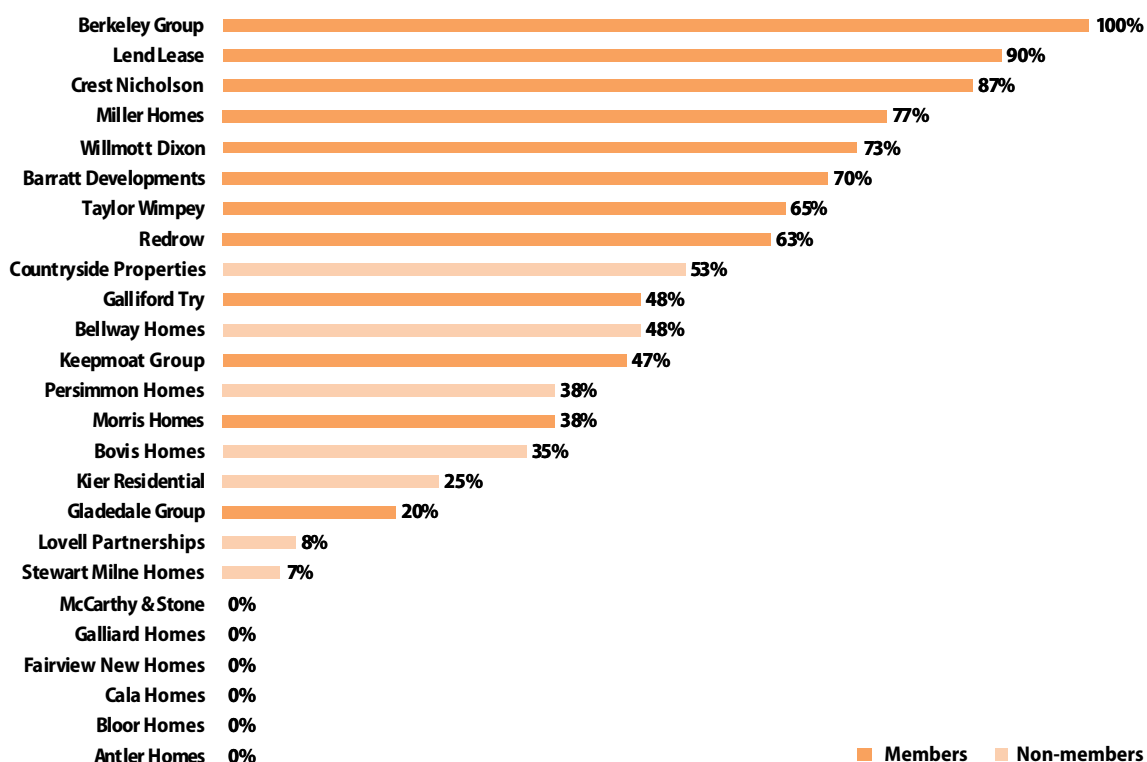


Figure 5 highlights the performance of multi-sector companies in the benchmark. Of these companies, Willmott Dixon is the top performer scoring 64%, ranking 4th overall and demonstrating that operating in multiple sectors is not a barrier to high performance under the benchmark. Of the five other multi-sector companies assessed, two are in the top ten.



7 Strategy, governance and risk management

Figure 6: Companies' overall score against 'Strategy, governance, risk management and disclosure'



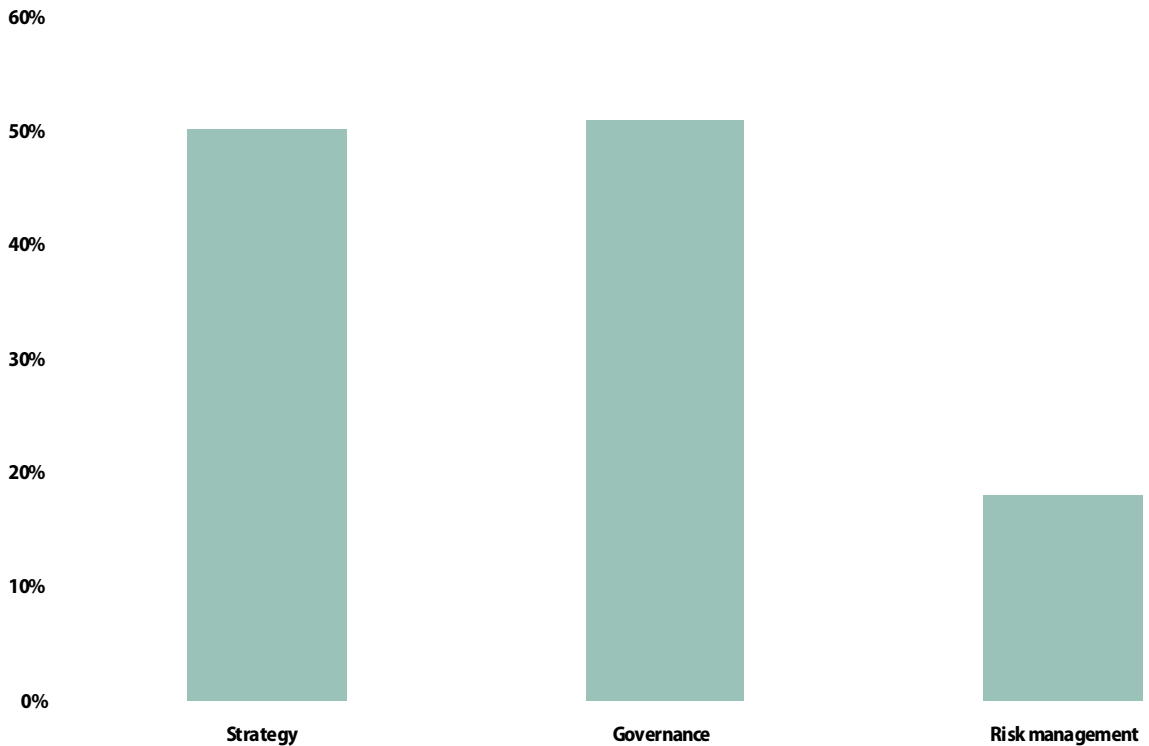
7.1 Results overview

The 25 companies benchmarked achieved an average score of 40% under 'Strategy, Governance and Risk Management', higher than the average of 28% achieved in the other section of the benchmark – 'Delivering Sustainable Communities'. This suggests that the sector as a whole has established a strategic approach to sustainable communities, but that the actual delivery of its strategic intent has been weaker than expected or has resulted from unambitious strategies. Listed home builders (58%) outperformed private home builders (27%) in this section and, on average, member companies (65%) scored higher than non-members (17%). The overall performance by all companies is shown in Figure 6.

7.2 Performance against individual criteria sections

Within 'Strategy, Governance and Risk Management', the highest average scores (see Figure 7) were achieved under the 'Governance' criteria (51%), followed closely by 'Strategy' (50%) and then, some way behind, 'Risk Management' (18%). The following sections review these individual criteria in more detail.

Figure 7: Breakdown of average performance against 'Strategy, governance, risk management and disclosure'



7.3 Strategy

A coherent developed strategy is the essential foundation for any company's approach to sustainability, as it is to any other significant issue such as health and safety, equal opportunities or customer care. As a minimum, any strategy should be based upon:

- A 'materiality'⁴⁰ review to understand significant sustainability impact areas;
- Targets and associated performance monitoring; and
- Consultation with external stakeholders to understand their views and opinions.

Of the 25 home builders assessed:

- 19 companies had in place a Board-level Sustainability or Corporate Responsibility (CR) strategy, which included reference to issues aligned with the creation and delivery of sustainable communities;
- 15 of these policies were available publicly;
- 14 companies had targets in place that relate to sustainable communities;
- 11 companies reported publicly on their performance in relation to creating and delivering sustainable communities; and
- 12 companies had a senior-level manager or Board member who is involved with industry initiatives to deliver sustainable communities.

Under this section, the Berkeley Group, Crest Nicholson, Miller Homes and Lend Lease were assessed to have had good coverage of sustainable communities within their strategies with each company addressing at least five related issues.

⁴⁰ Global Reporting Initiative, 2009. G3: *Content & Materiality* [online]. Available from: <http://www.globalreporting.org/CurrentPriorities/G31Developments/ContentandMateriality/> [Accessed October 2010]

Home builders did not have a separate and specific strategy for this topic, but ensured that sustainable communities' issues were integrated into and addressed through their existing sustainability or corporate responsibility strategies. This was sometimes achieved through a dedicated sustainable communities or similarly titled section, however more frequently they were dealt with throughout the strategy. Companies' coverage of issues varied, with strategies containing between one and nine sustainable communities' targets, with the average being three. The most-commonly reported areas were environmental design standards (EcoHomes and Code for Sustainable Homes), customer care and considerate construction.

Image 1: Extract from Crest Nicholson's Sustainability Report 2009 demonstrating the company's approach to sustainable communities issues using a diagram



The industry initiatives that companies are engaged with in relation to sustainable communities tend to relate to environmental performance of homes, e.g. Code for Sustainable Homes, or environmental infrastructure. There is a need for companies to consider their own involvement with initiatives and ensure they are concentrating on those that cover the full range of sustainability issues. This may represent a gap in current industry knowledge-sharing, as there are a limited number of groups with which home builders can meet to discuss social and economic sustainability issues.

7.4 Risk management

The importance of effective risk management is growing in light of highly-demanding legislation, for example, compliance with improved Building Regulations (which legislate for the revised zero carbon standards), the Carbon Reduction Commitment, the Code for Sustainable Homes, planning and funding requirements. Economic uncertainty has made control of direct costs, and risks that may affect sales revenue, particularly important. For example, the brand damage that can occur if communities are built but fail to function; the impact on sales volumes caused by failing to design places where people want to live; and the effect on initial sales values of building homes that do not meet occupiers' long-term space needs.

Risk management has been identified in the 2007 and 2009 benchmarks as an area where the sector has performed poorly, although some improvement has been evident in this year's benchmark. In 2007 NextGeneration reported that five home builders discussed the sustainability risks faced by the business in their annual reports and accounts. By 2009, that figure had risen to nine and in the 2010 report had increased to eleven. However, where information regarding sustainability risks is provided, it often does not feature in the risk section of the annual report and accounts but in other documents or on websites. This reveals that the risks associated with sustainability are considered less important than financial or other risks, even though sustainability, which includes economic sustainability issues, has a direct financial impact on a business's performance. It also suggests that sustainability is not fully integrated into a company's strategy and reporting. Where risk information relating to sustainability is provided, the majority of references refer to environmental risk, covering issues such as pollution or health and safety incidents, but excluding wider social or economic issues. While a larger number of home builders were found to have internal risk management processes that account for sustainable communities' issues, only a small number of companies make this information publicly available.

One of the best examples of risk management reporting by a home builder was by the Berkeley Group, whose approach was also highlighted in the 2009 NextGeneration report. However, the general reluctance to publicly present sustainability risk information appears to persist throughout the sector and, without this information, stakeholders may be left to assume that the sector is unaware of the risks and opportunities associated with sustainability.

Image 2: Extract from Berkeley Group's Sustainability Report 2009 showing some of the social and economic sustainability risks and opportunities for the company

Issue	Key risk	Potential opportunity
Financial performance	Fluctuating markets affecting financial performance	Taking advantage of strategic planning opportunities in a market downturn
Customer satisfaction	Loss of market share arising through customer dissatisfaction	Positioning The Berkeley Group as the developer of choice for purchasers of new-build homes
Housing quality	Reduced demand for homes as a result of poor quality homes	Being recognised for superior design quality through prestigious industry awards
Supply chain management	Association with unethical supplier or subcontractor	Driving innovation and sustainability through the supply chain
Local economy and job creation	Working in the UK's most deprived areas	Regenerating previously derelict areas into vibrant places for people to live, play and work
Climate change	Failure to comply with legislation	Increased competitiveness through staying ahead of legislation
Environmental performance standards	Increased costs of building to environmental performance standards, which customers may not be willing to pay for	Engaging with government to help shape future policy standards

7.5 Governance

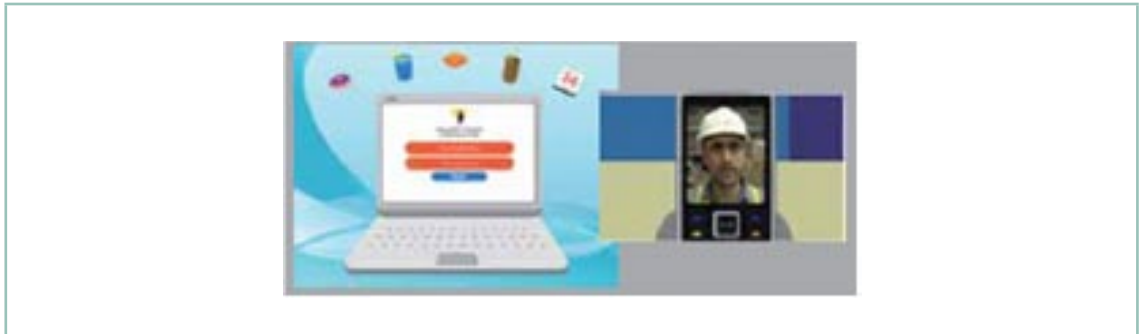
To support the delivery of a sustainability strategy, governance structures and training need to be established to ensure that the management of sustainability occurs across the whole organisation. The benchmark therefore sought evidence that a senior manager is responsible for sustainable communities' issues, that he or she is supported by a high-level working group drawn from across the organisation and that a training programme is in place on sustainable communities. Overall, the governance structures in place in the sector appear to be strong, with 16 companies having both a senior manager and working group responsible for sustainable communities. The primary responsibility of this senior manager varied, with 16 companies having a dedicated manager for sustainability and the other companies having non-dedicated personnel tasked to the role, such as partnerships, procurement, finance and design directors.

The title of the relevant working groups varied, and it appears that many of the governance structures that were originally set up to deal with general sustainability issues or other issues, such as health and safety, have been adapted to include the consideration of social and economic sustainability issues.

Overall, the coverage of sustainable communities' issues by these managers and working groups reflected the coverage of the issues in the company's strategy.

To implement their strategies, only 14 companies undertook training on sustainable communities' topics. This may be explained by cuts in training and development budgets made as a result of company cost-cutting programmes, however those that did undertake training tended to integrate it into their standard induction delivered by internal staff, often directors, rather than running separate courses.

Image 3: Image from Willmott Dixon's online sustainability training tool



An interesting example of internal training was from Willmott Dixon who delivered sustainability training on-line, allowing it to be easily extended to suppliers and partners. Where external training took place, the most frequent approach was training staff regarding the Code for Sustainable Homes, sometimes to become in-house Code Assessors. There was also much evidence of training on sustainability issues outside of the scope of this year's benchmark, the most common being training for site managers on waste and environmental management.

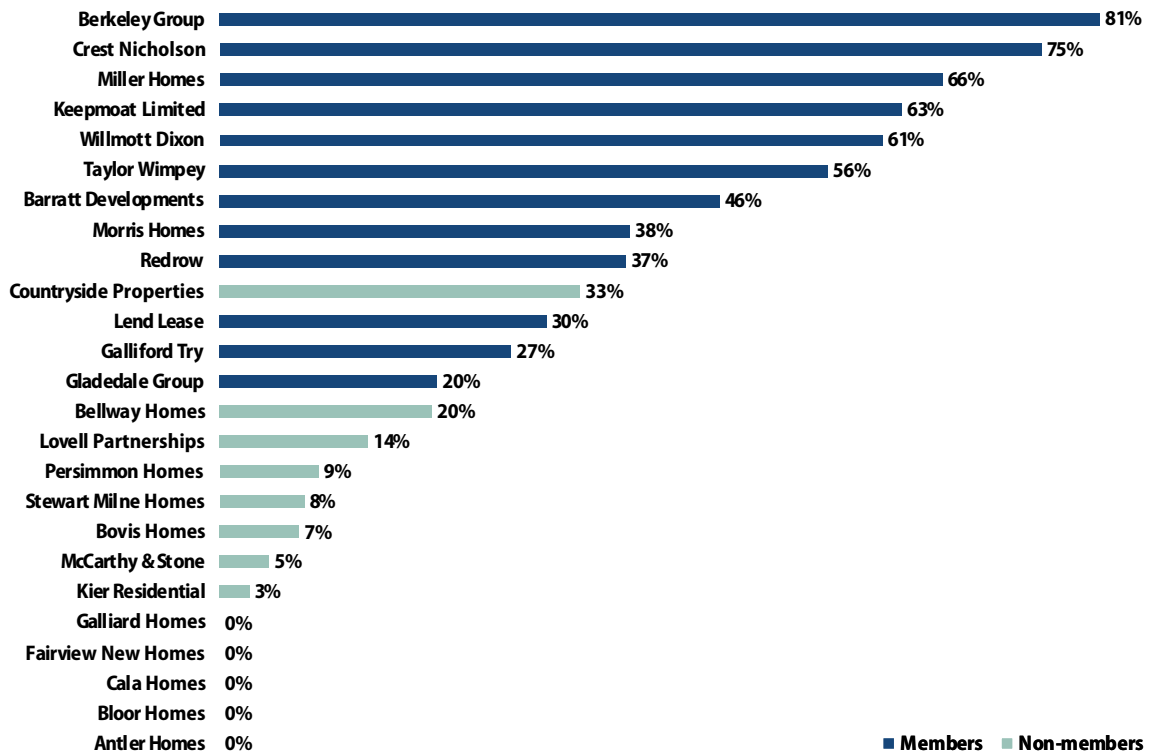


8 Delivering sustainable communities

8.1 Results overview

The 25 companies benchmarked achieved an average score of 28% under 'Delivering Sustainable Communities'. Member companies (50%) scored higher on average than non-members (8%) and listed companies (32%) outperformed non-listed (26%).

Figure 8: Companies' overall score – 'Delivering sustainable communities'

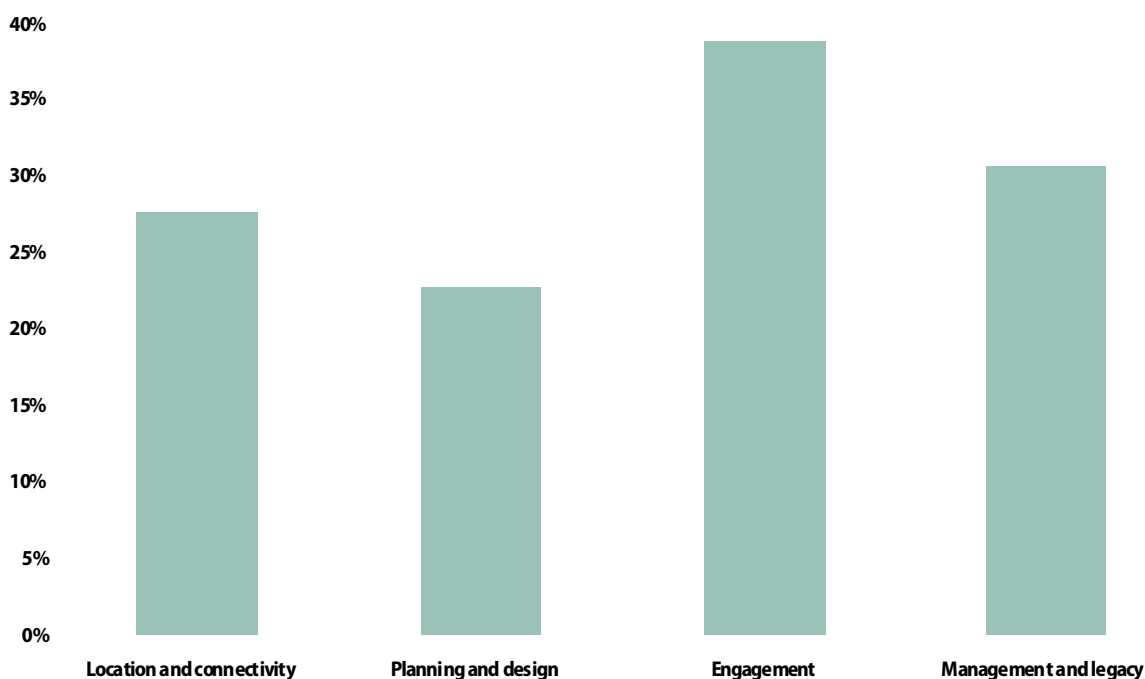


The ranking in this section, under which the majority of points in the benchmark are available, broadly reflects the overall ranking, with the highest performer among non-member companies being Countryside Properties.

The 'Delivery of Sustainable Communities' is broken down into four further sections, which are based around four stages of a typical lifecycle for a housing development, covering the acquisition, design, construction and occupancy stages of a project.

The average scores under each section are shown in Figure 9:

Figure 9: Average score by sub-section – ‘Delivering sustainable communities’



The section where companies scored highest was ‘Engagement’. This included connecting with stakeholders at a corporate level, with local communities on specific projects and with customers. The most points were scored for customer engagement, probably reflecting the increased attention to customer care and satisfaction within the industry, which is discussed later in the report.

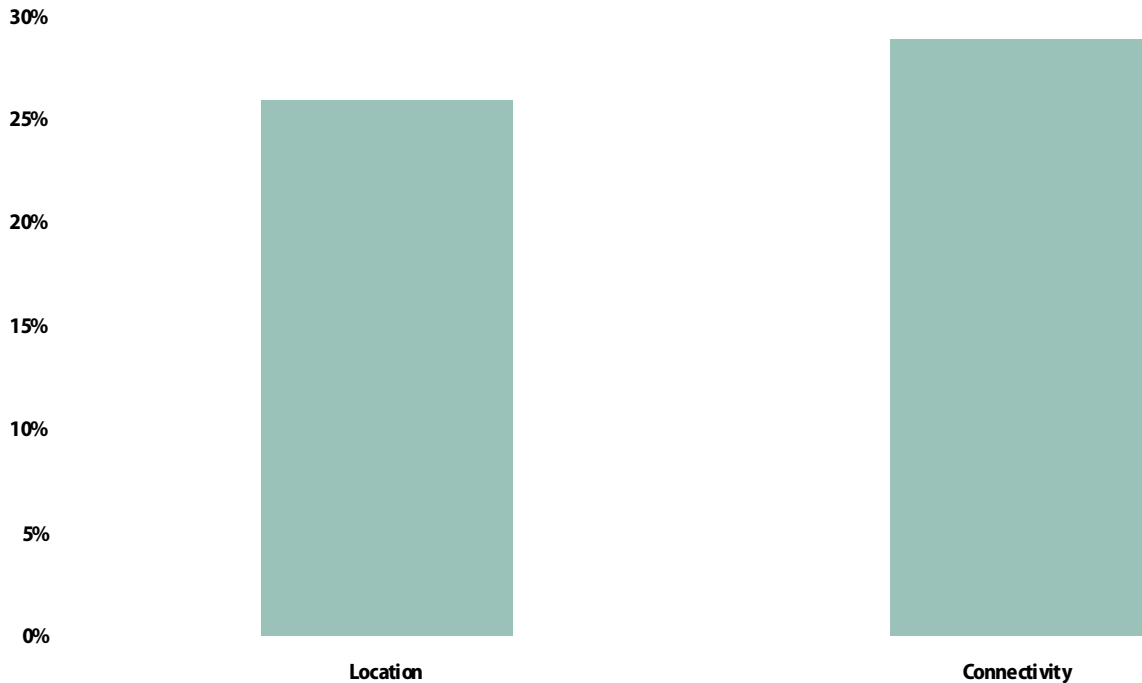
The lowest scores were in ‘Planning and Design’. This contains some of the most challenging criteria of the benchmark, measuring the number of units built (during the last financial year) to design standards such as Lifetime Homes, Secured by Design, Building for Life, EcoHomes and the Code for Sustainable Homes.

9 Location and connectivity

9.1 Performance against individual criteria sections

Figure 10 shows the spread of scores across 'Location and Connectivity'. There is no significant difference in performance between each sub-section and this potentially indicates a balanced approach being adopted by home builders in considering both the physical location of sites in relation to transport nodes and the improvement of the connectivity of sites. These individual sections are covered in more detail, as follows.

Figure 10: Breakdown of average performance against 'Location and connectivity'



9.2 Location

Housing has always tended to be located close to transport routes. However, unlike the post-World War II ribbon developments that clustered homes along A-roads, the sustainable communities' agenda is centred on development around public transport hubs.

The Urban Task Force's⁴¹ (chaired by Lord Rogers of Riverside) primary recommendation, and the one that has been implemented most fully, was the goal of encouraging development on brownfield land. The use of this land was promoted on the grounds that city centres needed rejuvenating and that greenfield land needed preserving, but also on the basis that brownfield sites in city centres tend to be well situated for public transport. The home building sector's overall response to building on brownfield land has been encouraging. In 1999 the national average for new developments on brownfield land was 56%; by 2005 that figure had risen to 70%⁴².

⁴¹ Towards a Strong Urban Renaissance. Urban Task Force. 1999 [online]. http://www.urbantaskforce.org/UTF_final_report.pdf

⁴² Urban Task Force, 'Towards an Urban Renaissance' (2005). http://www.urbantaskforce.org/UTF_final_report.pdf [Accessed October 2010]

Many of the areas for housing growth identified in the Sustainable Communities Plan 2003⁴³ were based around areas of high or improving access to public transport, such as development in the Thames Gateway around the domestic Channel Tunnel Rail Link (CTRL). The importance of proximity to transport nodes was adopted into the EcoHomes⁴⁴ standard, setting a best practice benchmark of 1,000 metres distance from a housing development to a transport node such as a bus stop or railway station. Local authority parking standards were also subsequently tightened within the plan, particularly in city centres, in many cases reducing the level of car parking to less than one space per unit, and therefore removing the assumption that all residents of a community will want or need to own a vehicle. The first car-free developments also started to emerge, particularly in London.

Accessibility to public transport also became the primary means through which the density of new development in London was decided through the London Plan's⁴⁵ Public Transport Accessibility Level (PTAL) rating, where the highest level of accessibility enabled the highest density of development. The Housing Corporation's (now Homes and Community Agency's) Housing Quality Indicators (HQIs)⁴⁶, which measure quality and contained a number of mandatory sections to be completed for schemes bidding for funding under the 2008-2011 National Affordable Housing Programme (NAHP), included a non-mandatory assessment of not only the proximity of a development site to public transport, but also to other community facilities such as banks, post offices and schools.

Under the benchmark, only two companies built 100% of their units within 1,000 metres of a transport node while the average among those that reported on the statistic was 76%. The Berkeley Group, Bellway, Crest Nicholson and Miller Homes reported on this measure publicly and two other companies recorded the information internally. That said, the internal use of this data to inform actions, such as the monitoring of land purchase decisions, has not been automatic as it is seen as just one of many factors influencing such decisions. Nevertheless, as the need to reduce vehicle emissions increases, there is potentially greater scope for this data to be included in land purchase decisions.

The primary vehicle that home builders currently use to communicate the proximity of their developments to public transport is sales and marketing materials. However, the way in which this information is reported is inconsistent across the sector with some companies only displaying not-to-scale maps or publishing 'drive times' to key locations, rather than 'public transport times'. Furthermore, directions to developments are invariably only given by road. Therefore, as well as increasing the disclosure of high-level information regarding the location of their sites, there is a much greater opportunity for home builders to disclose site-specific location data to improve the marketability of their homes.

9.3 Connectivity

The location of housing in relation to transport nodes is one of the prime influencers of car usage and the extent to which housing is considered to be well connected. However, the distance to public transport is just one measure of the connectivity of a community. The Egan Review advocated the promotion of cycling and walking alongside the use of public transport as ways in which communities can be considered 'well connected'. In order to promote cycling and walking, home builders are encouraged to consider issues other than just location, such as the design of the site itself and its connection with the surrounding environment. 'Connectivity' or 'movement analysis' has become a common feature of many feasibility studies for housing sites, predicting how people will walk or cycle within and through a site and creating safe and appealing environments for different modes of transport.

⁴³ Sustainable Communities Plan: Building for the Future. Communities and Local Government, February 2003 [online]. <http://www.communities.gov.uk/publications/communities/sustainablecommunitiesbuilding>

⁴⁴ EcoHomes 2006 Guidance. Issue 1.2. Building research Establishment [online]. http://www.breeam.org/filelibrary/EcoHomes_2006_Guidance_v1.2_-_April_2006.pdf

⁴⁵ London Plan. Greater London Authority. 2004 [online]. <http://www.london.gov.uk/thelondonplan/docs/londonplan08.pdf>

⁴⁶ Design Quality Standards. Housing Corporation. April 2007. http://collections.europarchive.org/tna/20100710184205/http://www.housingcorp.gov.uk/upload/pdf/Design_quality_standards.pdf

'Connectivity' is also a central element of the Building for Life⁴⁷ standard launched in 2001 and administered by the Commission for Architecture and the Built Environment (CABE), with five of the twenty questions in the standard relating to how environments are made friendly for pedestrians and cyclists. The importance of pedestrian traffic flow is also included in the Secured by Design⁴⁸ standard as a way to improve surveillance and the use of external spaces, and to avoid the creation of unused spaces where anti-social behaviour and crime can occur.

Home builders are increasingly required to submit a 'travel impact' assessment in support of planning applications for new housing and, where necessary, to directly provide or contribute (through Section 106 agreements) to infrastructure such as cycle paths or bus stops. Many local authorities also want developers to present 'travel plans' with planning applications, to demonstrate how sustainable transport options will be promoted to residents of a new community.

The promotion of cycling through the development of an extensive national cycle network has been undertaken by Sustrans⁴⁹. Meanwhile, EcoHomes and the Code for Sustainable Homes standards have both established minimum requirements for cycle storage on developments to encourage ownership, particularly in high-density 'flatted' developments where many homes will not have access to private storage such as a garden shed. The percentage of units with cycle storage, delivered by the companies analysed, was high at 64%, largely driven by local authority planning requirements. However, a number of home builders are reporting that this storage space is being underused, with bicycles sometimes being stored in homes or communal areas and the cycle space being used for general storage. The provision of cycle storage was part of a review by the Code for Sustainable Homes and it was found that the under use of cycle storage was caused by poorly-designed space. All stakeholders therefore need to consider how greater levels of cycling can be encouraged in new communities.

Evidence was found of innovative technical solutions to reduce dependency on traditional car use such as car clubs, where residents can rent a dedicated car on the development, and charging points for electric cars. The number of companies reporting the operation of a car club on at least one development was 10, while one home builder reported the installation of electric car charging points at a new community. For the moment, these features therefore remain as innovative additions to a small number of new housing schemes rather than standard items on all developments.

Image 4: Car club at Crest Nicholson's One Brighton development delivered with BioRegional



⁴⁷ Building for Life Standard. <http://www.buildingforlife.org/>

⁴⁸ Secured by Design – for New Homes. Association of Chief Police Officers. 2010 [online] http://www.securedbydesign.com/pdfs/SBD_New_Homes_2010.pdf

⁴⁹ <http://www.sustrans.org.uk/>

Advances in technology and a shift towards a service economy have also led to an increase in the number of people who have the option of working from home. To enable communities to take advantage of this opportunity, home builders need to provide 'homeworking' facilities in new units, such as desk space with its own electricity and telephone sockets. Points are available within EcoHomes and the Code for Sustainable Homes for providing such space, which is also assessed within the HCA's Housing Quality Indicators (HQIs). The number of companies reporting the inclusion of 'homeworking' facilities on all developments was low (two companies provide this in all cases and one company provided these facilities 66% of the time). Although the lack of clearly-defined 'homeworking' space in a home does not preclude someone from working at home, a better definition of this space and understanding of people's needs when working from home could represent a significant marketing opportunity as, currently, no one is effectively communicating 'homeworking' features to prospective buyers.

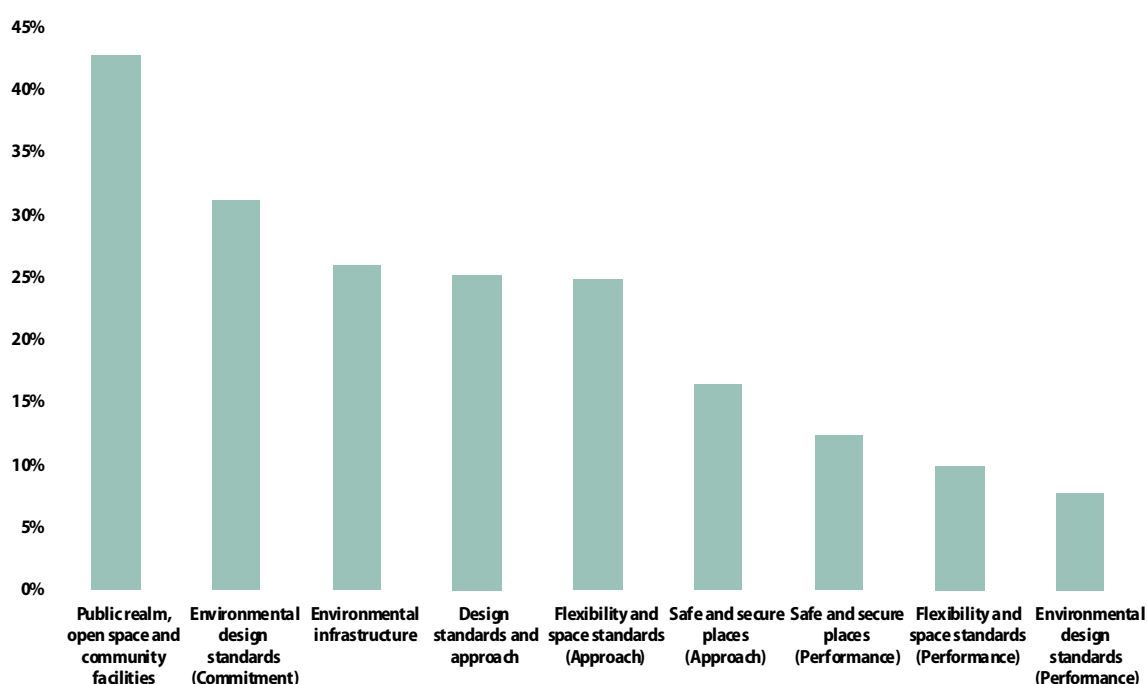


10 Planning and design

10.1 Performance against individual criteria sections

Figure 11 shows the spread of scores across 'Planning and Design', ranging from the highest for 'Public Realm, Open Space and Community Facilities' to the lowest for 'Environmental Design Standards (Performance)'. The latter however, which measures the number of EcoHomes and Code for Sustainable Homes units delivered by a home builder during the last year, did register a much higher score when assessing the overall commitment to build these units in the future. This suggests that the industry is in transition between the early stages of building a small number of units meeting higher levels of the Code for Sustainable Homes, and the full scale roll-out and meeting of the Code. This is discussed in more detail later in this section. From the overall scores in this section, it appears that the sector is also delivering low levels of homes built to other design standards, such as Lifetime Homes and Secured by Design.

Figure 11: Average performance against 'Planning and design'



10.2 Public realm, open space and community facilities

'Public realm' is one of the most accessible and easily-recognisable aspects of a sustainable community, both by its residents and by local people who visit, cycle or walk within that community. A well-designed public realm can increase the amenity value of a development, helping to improve quality of life, health and wellbeing. Research by CABE⁵⁰ in 2005 showed the link between high-quality green spaces and higher property prices, and further research by CABE demonstrated the 'physical capital' created by good-quality public realm⁵¹ in delivering economic, social and environmental value. CABE also produced its Manifesto for Better Public Spaces⁵² in 2004, which advocated that streets and the spaces between buildings are considered as equally important to public realm as parks or open spaces. Standards, such as Home Zones⁵³, promote the use of footways and highways as public realm to be shared between vehicles and pedestrians, and oppose any street designs that reduce pedestrian amenity.

⁵⁰ <http://www.cabe.org.uk/files/does-money-grow-on-trees.pdf> [Accessed October 2010]

⁵¹ <http://www.cabe.org.uk/publications/physical-capital> [Accessed October 2010]

⁵² <http://www.cabe.org.uk/files/manifesto-for-better-public-spaces.pdf> [Accessed October 2010]

⁵³ <http://www.homezones.org/>

The importance of good-quality public realm is central to the Building for Life standard, with question 16 asking whether public space has been well designed and whether it has suitable management arrangements in place. Open space or large green areas have also been recognised as being a particularly important element of providing an excellent public realm. For example, Planning Policy Guidance 17⁵⁴ (Planning for Open Space) states that “new open spaces should improve the quality of the public realm through good design”. The connection between the provision of good-quality open spaces and wellbeing has also been established in ‘Healthy weight, healthy lives’⁵⁵ – a cross-government strategy for England which highlights the importance of open space in encouraging people to adopt healthier and more active lifestyles.

The quality of public realm is particularly important in those city-centre brownfield development sites that have been the focus of much development activity since the Urban Task Force Report. Ensuring that it caters for all residents is a key measure of its quality, in line with The Egan Review aspiration that sustainable communities should be inclusive and meet diverse needs. Space designed for young children, teenagers, older people or people with disabilities is essential, and providing for all these groups enables opportunities for informal interaction between all citizens, creating a greater sense of community. The importance of an excellent public realm for young children and teenagers, in particular, is reinforced by the National Play Strategy for England⁵⁶ which puts forward a vision for play that includes the need to make parks and open spaces attractive and welcoming for young people.

As a result of the high-density brownfield development advocated in the Urban Task Force Report, the need for community buildings or rooms has increased, particularly on constrained sites where external, ground floor public realm may be limited.

Of the home builders assessed under the benchmark, 10 companies publicly acknowledged the importance of good-quality public realm, open spaces and community facilities. The most commonly-delivered type of public realm was an ‘area of open or green space’ (provided by 15 companies).

Image 5: ‘Our Wood’ at Chapelford Urban Village which was preserved, improved and managed by the local community with assistance from Barratt Developments and is used by local schools for national curriculum activities



⁵⁴ Planning Policy Guidance 17. Communities and Local Government. 2002 [online] <http://www.communities.gov.uk/publications/planningandbuilding/planningpolicyguidance17>

⁵⁵ Healthy weight, healthy lives. Department of Health. 2008 [online] http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_082378

⁵⁶ National Play Strategy. Play England. 2008 [online] <http://www.playengland.org.uk/media/120447/play-strategy-summary.pdf>

However, fewer examples were found of space targeted at specific groups, e.g. young children, teenagers, older people or people with disabilities, with only 12 companies delivering at least one example of this type of public realm in the last year. Where this space has been provided, the focus has been very much on young children, with play areas the most common type of user-specific public realm. Other groups such as teenagers, people with disabilities or older and vulnerable people are not being accommodated to the same degree and, as a result, the industry is missing an opportunity to include the wider community within the public realms it creates.

10.3 Design standards and approach

The Commission for Architecture and the Built Environment (CABE) was established as the Government's adviser on architecture, urban design and public space in 1999 and evolved from the Royal Fine Art Commission.

CABE currently manages the Building for Life standard, launched in 2001 to promote excellent housing design, which uses a list of 20 instinctive yes/no questions mainly about the urban design of a scheme to assess its quality. The number of questions to which a trained assessor, normally an architect or built environment specialist, can answer yes, determines a scheme's score under the standard, with 'Silver' achieved for a minimum of 16 positive responses and 'Gold' for a minimum of 18 positive responses. As well as the standard itself, CABE also runs the Building for Life awards to recognise exceptional housing design quality.

Image 6: Berkeley Group's Stanmore Place development, which won a Building for Life 'Gold' Award



CABE recognises that there is no single definition of good design and that design solutions vary across different sites, however the Building for Life standard sets out the common features of well-designed places, within which a multitude of different solutions are possible.

The benchmark sought to assess if companies had established and publicly set out their approach to good-quality design. Of the top 25 UK home builders, only nine had achieved this. Of these, a notable example is Countryside Properties, whose website contains a large amount of information regarding its design approach.

The criteria also assessed if a company's design approach was based on or referenced any suitable best practice design standards, such as Manual for Streets⁵⁷, By Design⁵⁸ or the Essex Design Guide⁵⁹. Seven companies were found to reference a best practice standard in their internal or public design guidelines and, of those, four cited the Building for Life standard as central to their design approach. This was generally done through setting a target that a Building for Life assessment should be undertaken for all developments. The Berkeley Group was the only house builder to go a stage further and actually set a minimum Building for Life target of 'Silver' for all of its developments in its Vision 2020 publication⁶⁰. Alternative examples included an internal design competition run by Barratt Developments where teams could submit their highest scoring scheme using the Building for Life criteria, the winners receiving an internal reward.

Image 7: Barratt Development's 'A Guide to Good Design' setting out its approach to good design



A number of companies also reported working directly with CABI to help inform their design approach, including the Berkeley Group, Crest Nicholson and Taylor Wimpey. Meanwhile, Crest Nicholson provided space within its 'Sustainability Report' for CABI, as an external stakeholder, to discuss its thoughts on good-quality housing design.

Despite some good practice examples, there is still a greater opportunity for home builders to engage with good design initiatives, such as Building for Life. Following changes to CABI's funding announced by the current Government, the Commission's structure is likely to change to a community interest company, however, whatever CABI's future, there remains a significant need for an organisation to champion design issues and to build on the work carried out to date.

⁵⁷ <http://www.dft.gov.uk/pgr/sustainable/manforstreets/>

⁵⁸ <http://www.cabi.org.uk/publications/by-design>

⁵⁹ <http://www.the-edi.co.uk/essexdesignguide2005.php>

⁶⁰ http://www.berkeleygroup.co.uk/media/pdf/h/i/Berkeley_Sustainability_Report_2010.pdf

10.4 Flexibility and space standards

The UK population is ageing and, by 2034, 23% of the population will be over 65⁶¹. Offering flexible living space in response to changing demographics will broaden the home builders' market, increasing the appeal of the homes they build, as well as the diversity and inclusivity of the communities they create. Building a Society for All Ages⁶² sets out how community and building design can assist older people to achieve a better standard of living. In the report, specific references are made to increasing the uptake of Lifetime Homes in affordable and private housing, and also to the promotion of Lifetime Neighbourhoods.

The Lifetime Homes standard⁶³ was launched in 1997 to address how the changing needs of those growing older could be accommodated in new housing designs and it set 16 mandatory criteria for home builders to follow in designing inclusive homes and neighbourhoods. This standard is recommended in the Housing Corporation's (now HCA's) Design and Quality Standards for the 2008-2011 National Affordable Housing Programme (NAHP) and is mandatory in English Partnership's (now HCA's) property and regeneration standards. Optional points are also available for building units to the Lifetime Homes standard under the Code for Sustainable Homes, although not all criteria have to be met to score points under the Code's latest guidance.

Under the benchmark, the number of units for private sale delivered to the Lifetime Homes standards was assessed, so as to measure the home builders' commitment to the standard on the tenure of units over which they have the greatest influence over design and specification. The average percentage of private units built to the standard was 18.9%, with performance varying from 2% to 52% of private sale output. The highest percentages were achieved by home builders working in London where, since 2004, the London Plan has required all new homes to be built to the Lifetime Homes standard⁶⁴.

The low take-up of the standard could be explained by the costs involved in delivering larger units and the difficulties in meeting the standard cited by home builders, particularly on constrained steeply-sloping sites. However, the number of units delivered could vary significantly as 19 of the top 25 companies did not provide either public information or internal data regarding the number of Lifetime Homes units under construction. There is no formal certification of homes to the Lifetime Homes standard, so the actual number of units that fully comply with the standard could also be much lower.

These factors highlight a key problem for the home building industry and other stakeholders, as there is not a full awareness of the number of homes built to the Lifetime Homes standard and, therefore, of the potential solutions or alternatives to delivering more flexible homes. This also represents a problem for home builders, as it implies that they do not have accurate data regarding their products and are also missing a business opportunity to design homes that offer occupiers flexibility during their lifetime.

Accommodating the changing needs of people as they grow older is just one example of how communities can be designed to be 'flexible'. Other examples include how the needs of a wide range of demographic groups in the local community can be addressed, for example, individuals with different abilities, family units of different sizes, people of different religions and so on. Question 18 of the Building for Life standard ensures flexibility is considered, in the broadest sense, by assessing whether buildings have been designed for flexibility of use, conversion and extension.

The extent to which home builders make their communities flexible was also assessed using their case studies of how demographic data has been used to influence the design of housing developments. Five companies were able to provide a suitable case study of where this had been undertaken, a notable example being provided by Miller Homes where one of its scheme designs was adjusted to reflect the needs of the local Muslim community. However, although a small number of examples were provided for individual projects, no home builder was able to demonstrate a standard approach that used local demographics to inform development design which, in reality, is over-reliant on the use of sales value data. If local communities are provided with greater input into the planning process, as proposed by the current Government, then home builders will need to ensure they can clearly show how each of their developments meets the needs of local communities, in order to obtain planning permission.

⁶¹ Office for National Statistics, Population statistics. <http://www.statistics.gov.uk/cci/nugget.asp?id=949> [Accessed October 2010]

⁶² Building a society for all ages. Presented to Parliament by the Secretary of State for Work and Pensions. July 2009. <http://www.hmg.gov.uk/media/33830/fullreport.pdf> [Accessed October 2010]

⁶³ <http://www.lifetimehomes.org.uk/>

⁶⁴ Accessible London: Achieving an Inclusive Environment http://www.london.gov.uk/archive/mayor/strategies/sds/accessible_london.jsp [Accessed October 2010]

As well as flexibility, the industry's awareness of the space standards to which it builds, was assessed under the benchmark. There are no minimum space standards for housing in England and Wales, unlike many other European countries⁶⁵. Britain has the smallest average room sizes in newly-built dwellings in the European Union when compared to other EU member states⁶⁶. For example, the average size of a room in a newly-built home in France is 26.9 square metres while in the UK it is 15.8 square metres⁶⁷.

A survey of residents by CABE, regarding the size of their new homes, found that the majority of people felt that there was insufficient usable space for socialising, privacy, food preparation and storage⁶⁸. The report recommended that home builders consider how they present floor area data to purchasers to allow them to make informed-decisions on their space requirements. The first step in achieving this is for a house builder to gain a thorough understanding and control of its own space standards.

Home builders were benchmarked on whether they had standard sizes for their homes or if they maintained up-to-date data on the sizes of completed units. Of the companies assessed, eight provided evidence of either standard sizes or accurate data on the actual, or 'as built', sizes of their homes. Of these, seven had also compared their standards to a recognised externally-promoted standard for home sizes, such as the HCA's Housing Quality Indicator (HQI) size ranges, indicating they had an awareness of how their products compare to best practice standards and consumer expectations. In general, the degree of awareness, control and communication of space standards by UK home builders could therefore be significantly improved. This would allow them to demonstrate how effectively they are delivering the type of units required by local communities and wider society.

10.5 Safe and secure places

It is possible, through careful planning and design, to influence crime levels which, if reduced, will often attract residents to new communities.

Section 17 of the Crime and Disorder Act 1998⁶⁹ made it the responsibility of 'all relevant authorities' to consider crime and security, and these issues therefore became the responsibility of home builders, as well as the police and local authorities. The British Crime Survey⁷⁰ shows that households without basic security measures are 10 times more likely to become victims of burglary. Planning Policy Guidance 3 – Housing⁷¹, released in 2006, requires home builders to "promote design and layouts which are safe and take account of public health, crime prevention and community safety considerations". Consideration of crime and security issues is therefore a common feature of most Design and Access Statements (DAS) which accompany planning applications. Safer Places: The Planning System and Crime Prevention⁷² firmly establishes this subject within the planning process and identifies Secured by Design as a successful model to be adopted by home builders.

Secured by Design was re-launched in 1999 as a standard to assess the safety and security of homes and communities. The current HCA design standards promote, and in some instances mandate, that different elements of the Secured by Design guidance are followed. As with the Lifetime Homes standard, the number of private sale units built to the Secured by Design standard was assessed and, from a results range of 1% to 44% of private units, the average percentage was 15.1%.

This result suggests that take-up of this Government-endorsed standard, along with the Lifetime Homes standard, has been low where there is no funding requirement or any planning obligations to do so. It may also point to procedural, technical or administrative problems with the standard. However, a data gap was found in terms of the number of homes built to achieve the Secured by Design standard with 18 of the 25 home builders having no public or internal information regarding the number of their homes

⁶⁵ Comparative Study of the Control and Promotion of Quality in Housing in Europe, ODPM

⁶⁶ Unaffordable housing: fables and myths, The Policy Exchange, 2005

⁶⁷ Unaffordable housing: fables and myths, The Policy Exchange, 2005

⁶⁸ <http://www.cabe.org.uk/files/space-in-new-homes.pdf> [Accessed October 2010]

⁶⁹ <http://www.legislation.gov.uk/ukpga/1998/37/contents>

⁷⁰ Crime in England and Wales 2009/10. Findings from the British Crime Survey and police recorded crime (Second Edition). <http://rds.homeoffice.gov.uk/rds/pdfs10/hosb1210.pdf> [Accessed October 2010]

⁷¹ Planning Policy Guidance 3 – Housing. June 2010. Department for Communities and Local Government. <http://www.communities.gov.uk/documents/planningandbuilding/pdf/planningpolycstatement3.pdf> [Accessed October 2010]

⁷² Safer Places – The Planning System & Crime Prevention. ODPM. February 2004. <http://www.communities.gov.uk/documents/planningandbuilding/pdf/147627.pdf> [Accessed October 2010]

built to the standard. As with the Lifetime Homes standard, this lack of data limits attempts to deliver safer and more secure communities.

As well as assessing the number of homes certified to the Secured by Design standard, consideration was also given to the extent to which home builders consult with a crime design professional, either an Architectural Liaison Officer (ALO) or Crime Prevention Design Advisor (CPDA). The principle of consulting a crime design professional, without formally obtaining certification to the Secured by Design standard, is accepted within the Code for Sustainable Homes, but receives fewer credits than full certification.

Even with the requirements for formal certification removed, the level of consultation with a crime design professional by home builders was poor, with only one reporting it either being undertaken or required so on all developments. This is a disappointing result because, as well as formal certification being low, home builders are not obtaining widely-available specialist advice on crime and security.

Finally, home builders were assessed on the quality of information provided to home buyers regarding safety and security. Eight companies were found to provide this information, with a particular focus on the correct operation of security features, such as doors and windows. Less evidence was available on the provision of guidance regarding the non-physical aspects of security, such as contact details for the local police or community support officers. This suggests that home builders are concentrating on creating secure homes in new communities, but could be doing more to help new communities contribute to and maintain their own safety and security.

10.6 Environmental design standards

The previous Government set a target in the Climate Change Act 2008⁷³ to cut the UK's carbon emissions by at least 80% by 2050 and the recommended carbon budgets from the Committee on Climate Change set specific carbon-reduction targets for new-build housing to play its part. This target has remained in place since the change in Government.

Put simply, from 2016 all new homes will be built to a zero carbon standard⁷⁴ and all housing stock will be as close as possible to zero carbon by 2050⁷⁵.

The primary means through which the carbon reduction goals are being achieved is through the voluntary Code for Sustainable Homes⁷⁶ standard and compulsory Building Regulations. In October 2010, the energy requirements in Building Regulations were brought into line with the mandatory requirements to achieve Level 3 of the Code for Sustainable Homes.

The Code for Sustainable Homes was launched in 2006 and replaced EcoHomes as the main Government-supported sustainable housing standard. The Code is a useful standard to assess the extent to which new-build housing impacts on the environment, with the most-demanding areas of compliance relating to energy and water consumption. Furthermore, it deals with many of the sustainable communities' issues covered throughout the benchmark, such as connectivity, security and flexibility. It therefore provides a useful generic indicator of the sustainability of new housing. However, compliance with the Code cannot be considered on its own to ensure the delivery of sustainable communities, as it does not address a number of associated issues such as public realm or economic development.

In last year's benchmark, the number of homes built to the EcoHomes 'Very Good' standard and Level 3 of the Code for Sustainable Homes was reviewed. The assessment found ten companies collecting data on the number of Code-certified dwellings, five companies reporting publicly on performance and seven companies undertaking research into higher levels of the Code. Of the companies reporting data, the number of Code Level 3 Homes being delivered was low, representing approximately 11% of their total output.

⁷³ Climate Change Act 2008. http://www.opsi.gov.uk/acts/acts2008/ukpga_20080027_en_1 [Accessed October 2010]

⁷⁴ Building a Greener Future: Towards Zero Carbon Development – Consultation. Department of Communities & Local Government. 13th December 2006. <http://www.communities.gov.uk/archived/publications/planningandbuilding/buildinggreener> [Accessed October 2010]

⁷⁵ Heat and Energy Saving Strategy Consultation Document. Department of Communities & Local Government and Department of Energy & Climate Change. 12th February 2010. <http://hes.decc.gov.uk/consultation/download/index-5469.pdf> [Accessed October 2010]

⁷⁶ Code for Sustainable Homes. CLG. December 2006. http://www.planningportal.gov.uk/uploads/code_for_sust_homes.pdf

Overall, the percentage of units built to different levels/codes of EcoHomes and the Code for Sustainable Homes during the last reporting year and based on the companies from whom appropriate data could be obtained, was as follows:

	No rating / no information	EcoHomes very good	EcoHomes excellent	Code 1	Code 3	Code 4	Code 5
All tenures	54%	25%	4%	1%	11%	5%	1%

The percentage of homes built to Code for Sustainable Homes Level 3 remained constant from 2009 at 11%. Six companies publicly reported the number of homes they had built to the Code for Sustainable Homes standard. The majority (54%) of units completed by benchmarked companies have no rating or information associated with them, however this trend is most pronounced for private sale units which make up 91% of units without a rating. The most common rating achieved for units is EcoHomes 'Very Good' (25%). This demonstrates the time taken for units to progress from planning through to completion, as units completed in the last reporting year would most likely have been submitted for planning before the Code was introduced in 2006. In terms of achieving Code Level 3, there is an even split between private sale and affordable homes meeting the standard, which can be explained by the planned changes made to Building Regulations in 2010, making energy performance mandatory for all new homes in Code Level 3. However, when it comes to levels of the Code above Level 3, it is social housing clients that are leading the way with the majority (83%) of Code Level 4 and 5 units being publicly-funded housing. Finally, no one reported completing a Code Level 6 development during the previous year, though many companies have one under development or very close to completion.

Image 8: Barratt Development's Dalston Lane development contained units built to Code Level 3 and EcoHomes Excellent, as well as incorporating a community heat network



Home builders' future commitment to the Code for Sustainable Homes was also assessed under the benchmark. Last year, five companies (Barratt Developments, Berkeley Group, Crest Nicholson, Lend Lease and Willmott Dixon) made public commitments to achieving Code Levels 3 or 4, ahead of changes to Building Regulations. This year, four companies committed to Level 3 and 4 targets, though these do vary in terms of the percentage of units to be delivered to the relevant level and also the dates from which these targets would take effect.

	What is the minimum Code for Sustainable Homes level?	How many units have to meet the target?	What units have to meet the target?	When did the target come into effect?
Barratt Developments	Level 3	100%	Units in Planning	July 2009
Crest Nicholson	Level 3	50%	Units in Planning	July 2008
Berkeley Group	Level 3	100%	Units in Planning	January 2008
Willmott Dixon	Level 3	100%	Units in Planning	2010

Economic circumstances have affected the number of Code homes delivered as evidenced by the reduction in overall homes delivered in the last year and the lack of increase in the number of Level 3 homes. However, delays in defining the definition of zero carbon have also contributed to uncertainty regarding building to higher levels of the Code and, as well, have held-up home builders in their exploration of the community-level energy infrastructure required to achieve zero carbon (discussed in the next section).

10.7 Environmental infrastructure

In order to achieve the Government target that all new housing will be zero carbon from 2016, the home building industry must consider energy solutions at the community level, as well as the household level. The Zero Carbon Hub⁷⁷, which is investigating and providing recommendations on the definition of zero carbon to the Government, is determining the level of emission reductions allowed through off-site options. These options are yet to be confirmed, but are likely to include community-level energy infrastructure. Planning Policy Statement 178 also places obligations on local authorities to develop solutions that are appropriate to the local context, and they will therefore play a coordination role in delivering community infrastructure.

In planning for the future, it also makes sense for home builders to consider other types of infrastructure, such as water and waste, as they can also have place-making benefits. For example, sustainable urban drainage systems (SUDS) can result in more open spaces, and underground waste collection systems can improve public realm by creating greater flexibility in street design. Opportunities also exist for local involvement and engagement through the delivery of community infrastructure, such as participation in waste recycling schemes, and there are also potential synergies between different types of infrastructure, with energy production from waste collection being a good example.

The benchmark assessed the home building industry's performance in delivering community-level energy, waste and water infrastructure. As this is an emerging area, and one in which a multi-stakeholder delivery structure is essential, a case study-based assessment approach was used, and engagement with industry initiatives related to community infrastructure was also evaluated.

Of the 25 companies benchmarked, 12 had examples of delivering some sort of community-level environmental infrastructure in the last year. The most commonly provided type was community energy systems, which 11 had delivered. The most challenging area of infrastructure was waste, which was delivered by only two companies, suggesting there is much scope for innovation in waste collection at the household level.

⁷⁷ <http://www.zerocarbonhub.org/>

⁷⁸ Planning Policy Statement 1: Delivering Sustainable Development. 2005 [online] <http://www.communities.gov.uk/publications/planningandbuilding/planningpolicystatement1>

Image 9: Public realm created as part of a Sustainable Urban Drainage System (SUDS) on a Barratt Development's site in Northampton



A good example of energy infrastructure, which included engagement with stakeholders, comes from Barratt Developments who have partnered with E.ON, the energy supplier, to deliver a community-level energy infrastructure solution on multiple sites. This included E.ON running community days to engage residents with the system by providing information and answering questions.

10.8 Customer care

The relationship between home builders and customers is key to forming sustainable communities as it is the home buyers who become citizens of the communities that builders create. The home building industry's performance in delivering customer care was queried in the Barker Review of Housing Supply in 2004⁷⁹. The review identified customer care as an area in which improvement was needed within the industry, a sentiment echoed in the Office of Fair Trading (OFT) study into the home building industry in 2007⁸⁰. A recognition that low levels of customer care were a problem, along with the threat of industry regulation contained in the OFT study, resulted in the Consumer Code for Home Builders⁸¹ being adopted by the industry. The Code establishes customer care requirements that home builders must adopt to ensure that buyers are treated fairly, know what levels of service to expect, are given reliable information upon which to make their decisions, and know how to access speedy, low-cost dispute-resolution arrangements if they are dissatisfied.

The majority of home builders have adopted the mandatory requirements of the Consumer Code and therefore, under the benchmark, an assessment was made of the number of companies that have embraced the best practice recommendations in the Code. These included a requirement to provide customer information in alternative formats, such as large print or Braille, and to ensure that the home builder's suppliers also adhere to certain customer care standards. However, the majority of companies have not yet taken on the best practice recommendations contained in the Consumer Code, probably because it was only introduced in April 2010. Nevertheless, a notable approach to ensuring high customer care standards has come from Barratt Developments who have a customer charter for all suppliers to ensure that customer care is considered not only by their own employees but also by their own supply chain. Miller Homes has also put in place several measures to ensure high levels of care, including their own customer care charter, and a customer journey book which ensures excellent care at all stages of the purchasing process.

⁷⁹ Barker, Kate 'Review of Housing Supply – Delivering Stability: Securing our Future Housing Needs'. http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/E/4/barker_review_execsum_91.pdf [Accessed October 2010]

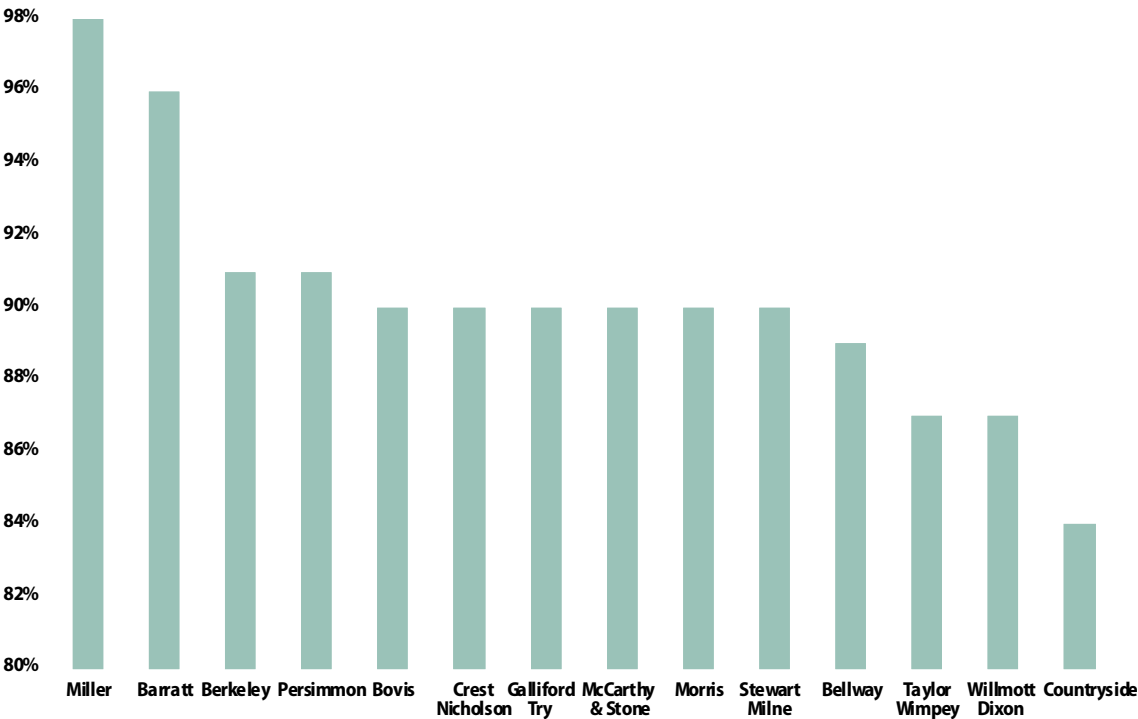
⁸⁰ Office of Fair Trading. Homebuilding in the UK. June 2007. <http://www.oft.gov.uk/OFTwork/markets-work/completed/home1> [Accessed October 2010]

⁸¹ <http://www.consumercodeforhomebuilders.com/>

Image 10: Miller Homes Customer Charter



Figure 12: Average customer satisfaction rates reported publicly by home builders



The improvements in customer care demonstrated by home builders will have a positive impact on the communities they create, and the results from the benchmark indicate that information on customer satisfaction levels was one of the most common areas publicly reported by home builders. The majority of companies also used third-party organisations to collect their customer satisfaction data, particularly the Home Builders Federation/National Home Builders Council customer satisfaction survey, thereby improving the validity of the data.

The average customer satisfaction score for member companies was 89%, which suggests an improvement from the satisfaction levels estimated in the Barker Review and OFT Study which estimated it to be in the low 80%. However, the OFT study also compared the home building industry to other consumer industries such as utilities, telecommunications and travel and these were estimated to have average customer satisfaction rates of over 90%. While increased efforts by home builders to address the issues of customer care are welcomed, there is still room for improvement to meet the same customer care standards that are being achieved elsewhere.



11 Engagement

11.1 Corporate engagement

Public reporting on sustainability provides an important means for companies to engage with their stakeholders. A Global Reporting Initiative (GRI) survey found that 90% of sustainability report readers felt that their views of a company had been influenced by a report and, of these, 85% registered a more positive perception of the company⁸².

Stakeholders can be defined as “those individuals, groups of individuals or organisations that affect and/or could be affected by an organisation’s activities, products or services and associated performance”⁸³.

The GRI’s G3 standard⁸⁴ places ‘Stakeholder Inclusiveness’ as one of the principal means by which a company should decide on what issues it publicly reports. The AA1000 AccountAbility Principles⁸⁵ also oblige an organisation to involve stakeholders in identifying, understanding and responding to sustainability issues and concerns through its foundation principle of ‘Inclusivity’.

Both standards advocate stakeholder engagement as a normal activity to inform ongoing business decisions. The extent to which UK home builders are engaging with stakeholders on sustainable communities’ issues was therefore assessed by the benchmark.

Fourteen companies were found to have taken the first step of identifying their stakeholders and how they communicate with them. However, information on stakeholder communication was often limited. For example, a common response was to state that the company’s sustainability report was the only means by which the business communicated with its stakeholders. However, GRI guidelines recognise that not everyone will use a public report, citing those stakeholders who rely on or prefer different means of engagement. A further typical approach was to define how the home builder communicated with one particular group, for example staff, with the same information not provided for other stakeholder groups.

Image 11: Extract from the Berkeley Groups 2009 Sustainability Report showing a selection of the stakeholder groups it has identified and how it communicates with them

Customers (Residential and Commercial)	Local Communities	Employees
<ul style="list-style-type: none">■ Commissioning regular market research■ Customer satisfaction surveys■ Pre-letting commercial property, and working with occupiers to determine specification	<ul style="list-style-type: none">■ Consultation during the planning phase■ Providing local updates before and during construction■ Involvement in charitable initiatives■ Participating in the Considerate Constructors Scheme	<ul style="list-style-type: none">■ Lets Talk and Lets Act campaigns■ Training■ Adhering to our comprehensive range of employee and health and safety policies

Evidence of each home builder’s senior management involvement in stakeholder-run events was also assessed and numerous examples revealed, such as: participation in government groups, e.g. Code for Sustainable Homes Advisory Group (Crest Nicholson, Miller Homes); engagement with industry groups such as Zero Carbon Hub (Crest Nicholson), UK-GBC (Barratt Developments) and CABE (Berkeley Group); and connection with consumers through focus groups (Redrow, Lend Lease).

⁸² Count Me In: the readers’ take on sustainability reporting, Report of the GRI Reader’s Choice survey, KPMG & SustainAbility, (May 2008)

⁸³ AA1000 AccountAbility Principles

⁸⁴ AA1000 AccountAbility Principles

⁸⁵ <http://www.accountability.org/standards/index.html>

11.2 Project engagement

Home builders engage most directly with existing local communities when developing new housing projects. The extent to which communities were engaged at a project level was therefore assessed under the benchmark, principally the degree to which these communities have influence over the design of a new housing scheme. Under the new Planning and Compulsory Purchase Act 2004⁸⁶, local authorities are required to submit a 'Statement of Community Involvement' (SCI) detailing how they will consult communities in the preparation of their local plans. Home builders, increasingly so, are being asked to submit similar statements with their planning applications, outlining what community consultation they have undertaken. Planning Policy Statement 1 (PPS1) also states that to be effective, community consultation should:

- enable communities to put forward ideas and suggestions and participate in developing proposals and options. It is not sufficient to invite them to simply comment once these have been worked-up; and
- consult on formal proposals.

Focusing on community empowerment, the Government's current approach to involvement in England is set out in a White Paper – Communities in control: real people, real power⁸⁷ which states that "we want to move to the next stage in the process – enhancing the power of communities and helping people up and down the country to set and meet their own priorities. In this way we strengthen local democracy by increasing participation."

Under the benchmark, emphasis was placed on proactive engagement by home builders beyond the minimum undertaken by the local authority as part of the planning process, such as public notices and letters to residents. In line with the guidance in PPS1, evidence was also sought of engagement with local communities at the earliest possible stages of the design process, so that they can have a valid input into the creation of a new development, rather than just commenting on a completed design.

Three companies had a standard approach to engagement with local communities on projects which was considered to be best practice. They include Barratt Developments who have key performance indicators (KPIs) to measure the number of developments that plan for community engagement; Willmott Dixon who have a standard community engagement procedure developed in consultation with a specialist consultancy and implemented by its own Community Engagement team; and Keepmoat Group who have achieved accreditation under the Community Mark standard, which measures a company's engagement with communities. Six companies also had examples of employing best practice techniques to provide communities with an opportunity to influence the design process at an early stage, such as by using the Planning for Real⁸⁸ process, or in the case of Galliford Try, by working with the Yarborough Tenants' and Residents' Association on the new design of an estate in Grimsby.

In some cases of best practice, local communities were also involved in other decisions relating to the development, such as financial or community management matters. For example, Keepmoat Group has been involved in the Durham Villages Regeneration project, a public-private partnership which has involved local residents from the very start to deliver the widest community benefits as possible, e.g. the provision of a swimming pool before the completion of housing on the site, the sales of which will be used to fund the pool. Keepmoat Group has also worked with Whitburn Shores Community Land Trust to deliver housing on a project, Community Land Trusts⁸⁹ being created to enable local communities to take greater control of land in their local area.

⁸⁶ The Planning and Compulsory Purchase Act 2004, available online: http://www.opsi.gov.uk/legislation/wales/wsi2010/wsi_20102002_en_1 [Accessed October 2010]

⁸⁷ Communities In Control: Real People, Real Power, available online: <http://www.communities.gov.uk/documents/communities/pdf/886045.pdf> [Accessed October 2010]

⁸⁸ Planning for Real [online] www.planningforreal.org.uk

⁸⁹ <http://www.communitylandtrusts.org.uk/?s=15> [Accessed October 2010]

Image 12: Community Consultation event at Galliford Try's Freshney Green



Although excellent individual examples were presented, a consistent corporate engagement approach, implemented across all projects, was not found in all home builders. Cases of best practice engagement tended to focus on the largest development projects, and often where there was local authority or other Government involvement through funding or land ownership, or where there was an element of refurbishment or regeneration of existing homes. In light of the current Government's aspirations to give local communities a greater say in planning decisions through 'Localism', it is recommended that the industry works together to standardise its approach to community engagement at a project level, clearly setting out to local communities what consultation they can expect when a development is proposed in their community.

11.3 Customer Engagement

It is unclear how important sustainability is to consumers when purchasing a home, compared to other factors such as location, and to what extent consumers are prepared to pay for some of the additional features associated with more sustainable housing⁹⁰. The introduction of Energy Performance Certificates (EPCs) for housing has made sustainability issues, particularly energy consumption, more prominent in the home buying process. However, home builders also have a role in educating buyers and promoting the benefits of sustainable homes to them.

Of the companies assessed, seven provided information about sustainability in sales and marketing material made available to buyers before their purchase. However, this tended to focus on the environmental performance of homes and rarely on community features of developments such as the proximity of schools, essential shops, places of worship and so on. Furthermore, this material was often provided in a generic format, such as on the company's website and contained information regarding a typical home or details about standards such as EcoHomes or the Code for Sustainable Homes. This meant that specific sustainability information was not integrated into the sales and marketing material for each development. No home builder was therefore found to have provided sustainability information for all of their developments, however it should be noted that Lend Lease has set a target in its annual sustainability report to ensure that this is achieved, and that all of their sales and marketing staff are also trained in sustainability.

⁹⁰ <http://newhomesearch.savills.co.uk/researchreport.aspx?id=356> [Accessed October 2010]

Image 13: Target from Lend Lease's 2009 Sustainability Report relating to customer engagement on sustainability

- Ensure that sales teams and marketing materials for new residential developments effectively promote and explain sustainability features to potential customers

As well as engaging with customers on the sustainability performance of their homes and how to run them efficiently, it is equally important for home builders to engage with communities to help encourage local interaction. In previous NextGeneration reports, the role of initiatives such as Miller Home's 'My Miller Street'⁹¹, which provides a dedicated website for new communities to interact, make friends and share information, has been highlighted as a means for home builders to facilitate such networking. However this model, or alternative models, have not yet been adopted by the wider home building industry and there remains a significant opportunity for home builders to do more to strengthen interaction in the communities they create.

Nevertheless, there were examples of 14 home builders providing some information to new communities to encourage interaction and integration. This was most commonly in the form of basic documentation with contact details or directions to local facilities, such as schools and hospitals, or details of community and social groups. It was often provided in handover materials or on resident notice boards, although some home builders went beyond this and provided more regular information to residents on community issues, such as a monthly newsletter.

A number of home builders also demonstrated longer-term direct engagement with the residents in their developments. For example, the Berkeley Group runs a regular jazz festival in the public square of one of its London schemes. Representatives from Gladedale, Lend Lease and Taylor Wimpey also attend residents' steering groups regarding the management of developments. This was certainly not done in every case, and so there is the potential for home builders to have a much greater role in the long-term management of the developments they create, and particularly the ones they retain as a freeholder. A key challenge for home builders here is that their expertise is essentially in building new homes and they do not currently have the business model or skills to indefinitely manage a new housing development and engage with its community.

⁹¹ <http://www.mymillerstreet.co.uk/>

12 Management and legacy

12.1 Considerate construction

Officially launched in 1997, the Considerate Constructors Scheme (CCS)⁹² has sought to improve the image of the construction industry and ensure that contractors and building companies are considerate and good neighbours, as well as clean, respectful, safe, environmentally-conscious, responsible and accountable during the construction process. The initiative operates voluntary Site and Company Codes of Considerate Practice with which participating construction companies and sites register; to date 45,000 sites have been registered. CCS has had strong Government support since its inception and this continues today, with a recent endorsement from the new coalition Government's Minister for Business and Enterprise⁹³. The scheme has also been integrated into the Code for Sustainable Homes, allowing developers to score points if a site is CCS-registered.

Registering sites under the CCS is demonstrative of a home builder's commitment to making a positive impact on the local community during the construction phase of a development. While the planning and design process is the start of engagement with the local community, it is during the construction phase where a home builder often comes into the most direct contact with local people and elements of the local physical environment.

An assessment of the number of CCS-registered sites, and a home builder's average score under the scheme, was therefore measured as part of the benchmark. The average total score achieved by the home builders assessed under the CCS was 32.5 points. Any score above 32 points is regarded as a high level of performance under the CCS.

Of the 25 home builders who were assessed as part of the benchmark, 64% take part in the CCS, with the majority registering all of their developments. However, the average registration rate was just 44%, as some companies only register a proportion of their developments depending on site conditions, client requirements and whether the scheme was being built to the Code for Sustainable Homes standard.

12.2 Post-occupancy evaluation and management

An essential component of any effective learning system is feedback. With more and more stringent demands on the energy performance of homes under Building Regulations, there is a greater need to understand the 'as built' performance of buildings. For example, increasingly stringent air tightness requirements under Building Regulations require the air pressure testing of completed homes. The detailing and skill required to install increased levels of thermal insulation and achieve good thermal performance can only be attained through a better understanding of actual performance. The impact of occupier behaviour on predicted energy savings is also significant, particularly where active systems are installed which require effective technological or user-management to function properly; in particular, low carbon systems that consume an element of energy such as Mechanical Heat and Ventilation Recovery (MHVR) systems or heat pumps.

However, the requirement for monitoring extends beyond energy use and there is a need for home builders to seek the views of residents, after they have purchased their homes, on issues such as space standards, layouts, design quality and usability. Until a development is actually occupied by a new community, its success cannot be fully judged and any lessons learned cannot be applied to future projects. As discussed earlier in this report, the home building industry does conduct customer satisfaction surveys; however, they focus on build quality and contentment with the buying process, rather than understanding specific aspects of a development's success. Surveys are often conducted within a short timeframe of residents moving into a property, before they have had sufficient time to really experience life in the development.

⁹² <http://www.ccscheme.org.uk/>

⁹³ <http://www.ccscheme.org.uk/index.php/new-government-endorses-ccs> [Accessed October 2010]

Due to the 'current trader' business model of most home builders, identified under The Calcutt Review⁹⁴, where a home builder does not retain an ongoing interest in its developments as it sells freeholds/long leaseholds, there has historically been a short-term relationship between home builders and buyers and therefore limited scope for post-occupancy evaluation. Monitoring has been more frequent in the social housing sector where local authorities and housing associations retain a continuing management relationship with residents. This often takes place through residents' panels or groups, as well as regular surveys and inspections. Research by CABE has also highlighted the need to obtain residents' views on the design of new homes and highlights a divergence in views between residents and professionals⁹⁵.

The extent of monitoring in the industry was assessed under the benchmark. Overall, 13 companies had examples of some form of general post-occupancy monitoring, predominantly through resident satisfaction surveys and issues raised in comment boxes. However, as mentioned earlier, these surveys do not explicitly seek views on other issues and are conducted a short time after initial occupation, thereby not capturing some of the longer-term issues that emerge once a new community is fully occupied and functioning. The majority of the monitoring undertaken by home builders also resulted in rectification of issues specific to an individual home, rather than in any resolution of underlying problems or changes to future practice.

Image 14: Use of Thermographic Imaging by Keepmoat Group to monitor the energy performance of a home



In terms of specialist monitoring, the most common activity is in energy monitoring; for example, Keepmoat Group conducted thermographic imaging of a project. Many of these projects are being undertaken in partnership with organisations, such as universities, and a number of companies have set targets to undertake more detailed monitoring in the future. Overall, post-occupancy data remains a source of valuable information that is not being fully exploited by home builders and therefore an area in which greater innovation could provide significant rewards.

⁹⁴ Calcutt Review of Housebuilding Delivery 2007 [online] <http://www.callcuttreview.co.uk/default.jsp>

⁹⁵ A Sense of Place – What residents think of their new homes. 2007. Commission for Architecture and the Built Environment (CABE). <http://www.cabe.org.uk/files/a-sense-of-place.pdf> [Accessed October 2010]

12.3 Economic development

As mentioned in the introduction, unemployment in the UK rose during 2009. Economic development and long-term job creation is especially pertinent during the current period of recovery from recession and home builders can strongly influence economic activity in the communities they create in several different ways. The first is a direct impact on the community while a development is being constructed on site, for example through the creation of job and business opportunities for local people, suppliers and sub-contractors – made possible because construction activity is geographically bound and cannot be fully undertaken remotely (even off-site manufacture requires on-site assembly). The second is through the new communities they create (for example, by including commercial space for new businesses), locating developments with good access to employment opportunities and creating service requirements for the new community e.g. repairs, landscaping, postal delivery etc. Finally, home builders have an indirect impact on the employment aspirations of new communities; for example, poor-quality housing can lead to concentrations of poverty which hinder business growth and residents' sense of wellbeing and potential. The Barker Review of Housing Supply also made clear the threats that housing shortages pose to the country's future economic success by limiting social and physical mobility of individuals⁹⁶.

The importance of home building in creating economic opportunity was also recognised in The Lyons Review⁹⁷ which defined the Government's role in place-shaping to promote economic prosperity and the wellbeing of communities. Transforming places; changing lives: taking forward the regeneration framework⁹⁸ emphasised the need for housing policy to be better integrated with wider economic improvements by placing a stronger focus on tackling the underlying economic causes of deprivation.

The benchmark criteria assessed the extent to which home builders contribute to both short-term and long-term economic development opportunities. The findings were that home builders overwhelmingly focus on the delivery of short-term employment opportunities while housing developments are under construction. Out of the top 25 companies, 16 were found to have examples of working with site operatives to improve skills, generally through apprenticeship programmes. Often, these apprenticeships were offered primarily to local people, with 13 companies having examples of local employment initiatives in place. The initiatives were also frequently aimed at under-represented groups in the construction industry, including women, ethnic minorities and the long-term unemployed.

Evidence was also found of the industry working with sub-contractors, who make up the majority of the construction sector, to improve their employment standards, such as through supplier conferences. A partnership model dominates industry activity in this area, with home builders working with partners such as local charities, colleges etc (e.g. Woodberry Works, Berkeley Group); groups acting for under-represented elements within the industry (e.g. Women in Manual Trades, Willmott Dixon); national organisations (e.g. Job Centre Plus or Construction Skills, Keepmoat Group); and regeneration partnerships formed from multiple stakeholders such as local authorities, home builders and land owners (e.g. Raploch Regeneration Partnership, Gladedale Group and Taylor Wimpey).

⁹⁶ Barker, Kate 'Review of Housing Supply – Delivering Stability: Securing our Future Housing Needs', available online: http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/E/4/barker_review_execsum_91.pdf [Accessed October 2010]

⁹⁷ http://www.hm-treasury.gov.uk/consult_lyons_index.htm [Accessed October 2010]

⁹⁸ Communities and Local Government, 'Transforming Places, Changing Lives 2008', available online <http://www.communities.gov.uk/documents/regeneration/pdf/896104.pdf> [Accessed October 2010]

13 Conclusions

Overall sector performance

Three companies have emerged as overall leaders in this year's benchmark – Berkeley Group, Crest Nicholson and Miller Homes. Making up the remainder of the top five companies, Willmott Dixon and Keepmoat Group performed encouragingly against the 2010 criteria.

In terms of public disclosure on sustainable communities' performance, Berkeley Group and Crest Nicholson were also the top two performers in this area. However, the degree of disclosure varied among companies and there is not a direct link between a company's score for public disclosure and, if it is a member company, its overall score under the benchmark. For example, among member companies, Barratt Developments and Taylor Wimpey had high levels of public disclosure in relation to sustainable communities, as did Bellway and Countryside who are both non-members. In the interest of best practice reporting on sustainability, NextGeneration would encourage all companies to make public disclosures in as many areas as possible.

Five companies, however, representing 20% of the sample of home builders assessed, scored no points under the criteria. None of these were members of NextGeneration and, as with the other companies who are benchmarked but have not taken up membership, these scores do not necessarily reflect actual performance, and are probably due to a lack of public disclosure in relation to sustainable communities' issues.

Sector strengths in delivering sustainable communities

The key strengths that have emerged within the sector in delivering sustainable communities are around companies' governance structures, customer care and economic development. The majority of companies (64%) have senior managers and company-wide working groups that are responsible for sustainable communities' issues. Notably, the same level of importance of sustainable communities' issues was not always reflected in companies' public risk management information.

Overall, customer satisfaction appears to be increasing throughout the industry, largely in response to the OFT market study into the sector, the introduction of the Consumer Code for Homebuilders and the use of third-party customer satisfaction surveys. The industry is therefore well placed to continue its drive in improving customer satisfaction and to match average satisfaction rates in other consumer industries.

Finally, the industry is strong in delivering economic development initiatives as part of its on-site construction activities and continues to do so through a partnership model that allows them to meet local needs and the specific requirements of under-represented groups in the industry. However, the next step for the industry is to understand its role in creating longer-term economic development opportunities.

Delivering sustainable communities... and beyond

Home builders are responding to the challenge of delivering sustainable communities and have considered how relevant social and economic sustainability issues apply to their operations and developments. This has resulted in the inclusion of sustainable communities' issues in company reporting alongside environmental issues, which is an encouraging step. However, in reporting and activities, companies are still giving environmental matters priority over social and economic sustainability issues. It has now been six years since The Egan Review introduced the concept of sustainable communities and the industry needs to consider how to drive this vision through to the buildings they construct with improved performance against current Government supported design standards, such as the Code for Sustainable Homes, Lifetime Homes, Secured by Design and the Building for Life standard. To facilitate this, the industry also has to be clear on the number of homes it is building to these standards, so it can take forward debates around methodological or cost criteria, and enable policy makers and others to fully understand the changes required to increase delivery of more sustainable homes.

As well as establishing how sustainable communities issues can be integrated into their strategic thinking and design activities, home builders are recommended to turn their attention to how these issues can be addressed once the development has been completed. There were a small number of examples found of home builders beginning to extend their involvement with communities beyond the sale of the final home, through engagement with Community Land Trusts, Residents Groups and energy service companies (ESCOs); however, the next challenge for the industry is to adopt a more consistent approach in this area. Although the role of other stakeholders involved in creating sustainable communities may become greater after physical completion of the development, the home builder can and should still have a role during this time as an enabler and catalyst.

Likewise, Government needs to set out its expectations of the industry in delivering sustainable communities, particularly by clarifying the responsibilities of other stakeholders, such as local authorities, or other organisations' roles in co-ordinating the development of community infrastructure and community governance, both of which are beyond the resources and power of an individual house builder. Furthermore, Government has a key role to play in the near future, working with industry and other key stakeholders to resolve issues with the wider planning system and the design standards it advocates for new housing. This will eventually enable home builders to deliver the best product possible on each development site.



14 Recommendations

This report provides the context against which the NextGeneration benchmarking was undertaken. It is against this backdrop that NextGeneration makes the following recommendations to both industry and Government so home builders can realise the current Government's vision of delivering communities that are both sustainable and empowered and, at the same time, have the necessary support required to achieve this.

Recommendations to industry

- Ensure that social and economic sustainability issues are given equal weighting as environmental issues in reporting, target setting and operations.
- Seek to ensure that sustainable communities and wider sustainability issues are adequately integrated into annual reports and accounts.
- Set more challenging targets to deliver a greater proportion of homes to Government-endorsed standards, such as Code for Sustainable Homes, Lifetime Homes, Secured by Design and Building for Life, and undertake better data monitoring against these targets.
- While progress has been made in delivering on-site renewable energy generation, water saving and recycling measures, greater consideration should be given to the delivery of community-level solutions in these areas.
- Ensure that engagement with local communities during the planning phases is consistent across all developments site, both in terms of methods and timescales.
- Apply the principles established in the Consumer Code for Home Buyers as widely as possible, making sure that not only employees meet these standards, but also smaller sub-contractors, and that all homebuyers understand their rights and options.
- Take a greater role in facilitating the long-term management and integration of new communities, particularly during the initial phase after completion of a development.
- Undertake, more frequently and rigorously, a post-occupancy evaluation of all aspects of a development in order to capture and apply lessons learned.
- Give greater attention to the long-term economic sustainability of new communities and how they can help facilitate employment opportunities after the construction of a development.

Recommendations to government

- Maintain global leadership in delivering low carbon housing and working with the industry to reach its ambitious targets.
- Ensure the planning system provides a clear framework for home builders and is implemented consistently across all decision-making bodies, from local through to national levels.
- Work with the industry to resolve any technical, procedural or administrative issues within sustainable communities' standards.
- Research why some standards are not being adopted by the industry and what could be done to increase adoption.
- Facilitate sustainable communities by coordinating approaches to issues which are more effectively resolved at a community rather than development level, such as transport and environmental infrastructure, high-quality public realm and community facilities.



NHBC

NHBC House
Davy Avenue
Knowlhill
Milton Keynes
MK5 8FP
0844 633 1000
www.nhbc.co.uk

Lloyds Banking Group

25 Gresham Street
London
EC2V 7HN
020 7626 1500
www.lloydsbankinggroup.com

WWF-UK

Panda House
Weyside Park
Godalming
Surrey
GU7 1XR
01483 426444
www.wwf.org.uk

Jones Lang LaSalle

22 Hanover Square
London W1S 1JA
020 7493 6040
www.joneslanglasalle.co.uk