

Delivering on the ground

The UK home building sector's contribution to a sustainable future

December 2011



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

The unique output of NextGeneration is the production of an annual sustainability benchmark of the UK's top 25 home builders (by volume).

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) 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 2011 benchmark, NextGeneration has been supported and directed by the Homes and Communities Agency and WWF-UK 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 workshops on best practice, networking events and sustainability news bulletins.

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November 2011

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Design by Guy Batey | RaggedRight

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Images provided by NextGeneration members .

Front cover: Woodcock Street. A ten to fifteen year regeneration programme in Hull comprising a network of greener streets, parks and open spaces and including homes built to the Code for Sustainable Homes Level 3 by the Keepmoat Group.

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Page 19, Section 3: Lemonade Building, Barking, Redrow Homes

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Page 30, Section 7: Woolwich Arsenal, Berkeley Homes

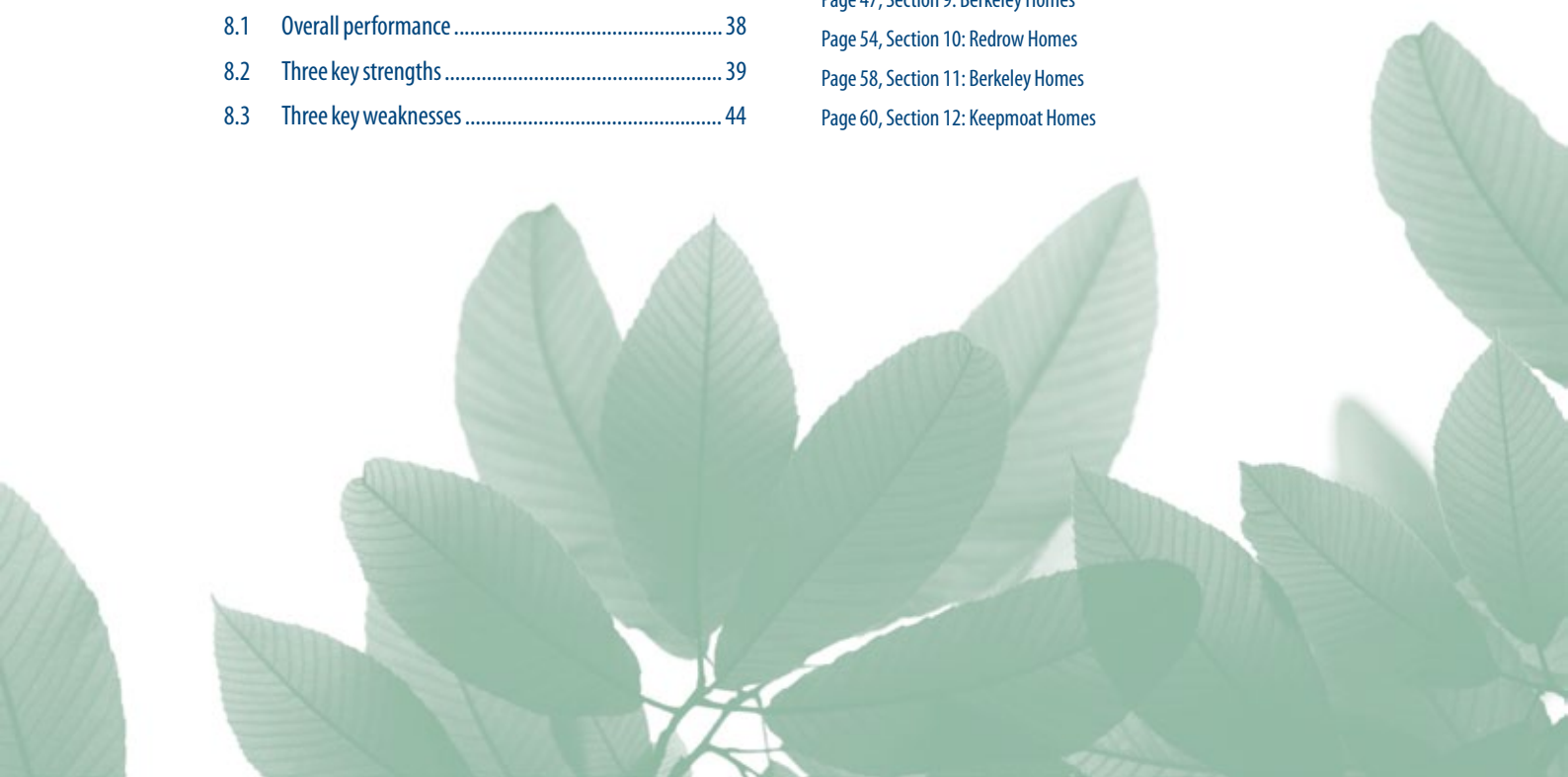
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1 Executive Summary

This report contains the findings of the seventh NextGeneration benchmark. NextGeneration is an annual benchmark of the performance in delivering sustainable development by the top 25 UK home builders by volume¹. The benchmarking initiative provides a valuable link between home builders and their stakeholders, allowing all parties to clearly understand the home builder's role and performance in creating sustainable homes.

The home building industry's focus in the early years of the benchmark concentrated on environmental issues associated with sustainability, such as energy efficiency and carbon reduction. However, an evolving policy context in the sphere of social sustainability (e.g. 'localism' and decentralisation, changes to the planning system); a focus on sustainable communities in the 2010 Sustainable Communities benchmark; and trends in transparency and customer engagement through advances in communication and social media, have all driven social and economic considerations to the heart of the sustainability agenda for home builders.

This year, therefore, heralds the launch of the first 'full' benchmark which examines the home building industry's success in delivery against all three pillars of sustainability; economic sustainability, environmental sustainability and social sustainability. This approach chimes with best practice and with the UK policy and regulatory framework for sustainability. Indeed, the Draft National Planning Policy Framework² states that:



For the planning system delivering sustainable development means:

- **Planning for prosperity (an economic role)** – use the planning system to build a strong, responsive and competitive economy, by ensuring that sufficient land of the right type, and in the right places, is available to allow growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure;
- **Planning for people (a social role)** – use the planning system to promote strong, vibrant and healthy communities, by providing an increased supply of housing to meet the needs of present and future generations; and by creating a good quality built environment, with accessible local services that reflect the community's needs and supports its health and well-being; and
- **Planning for places (an environmental role)** – use the planning system to protect and enhance our natural, built and historic environment, to use natural resources prudently and to mitigate and adapt to climate change, including moving to a low-carbon economy.

These three components should be pursued in an integrated way, looking for solutions which deliver multiple goals.



The NextGeneration initiative has brought together those UK home builders responsible for delivering circa 45% of the annual housing output from the private sector³, with the Homes and Communities Agency and WWF–UK, to set a benchmark which determines the industry's progress in tackling the sustainability agenda.

The report shows the progress that has been made to date in delivering sustainable development and draws out the industry's three key strengths and weaknesses which have emerged in this year's benchmark. The report concludes by highlighting some of the challenges and opportunities that lie ahead for the sector in fully playing its part in securing a sustainable future, and also provides recommendations to home builders and the Government to assist in overcoming those challenges.

¹ This was calculated through analysis of turnover and volume of dwellings built in the 2009/10 financial year.

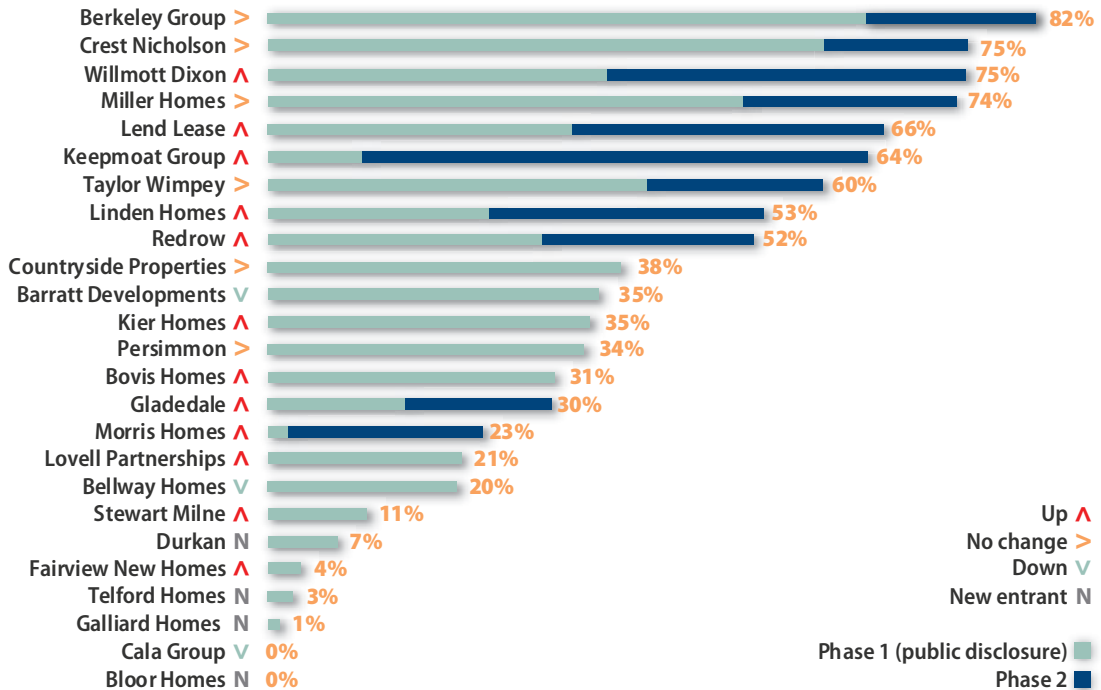
² Department for Communities and Local Government, July 2011

³ Communities and Local Government, 2010. *House Building December Quarter 1 to 4 2010* [online]. <http://www.communities.gov.uk/publications/corporate/statistics/housebuildingq42010> [Accessed October 2011]. Statistics refer to completions in UK only. Member company output has been calculated from figures reported in annual reports and accounts and information provided by member companies.

2011 Overall results

2011 sees some changes at the top of the benchmark. The Berkeley Group retains first place with a score of 82% and Crest Nicholson maintains second, now joined in the same position by Willmott Dixon (both scoring 75%). Miller Homes has kept its third position. The position of all companies, including an indication of whether they have gone up or down in the rankings (compared to the last comparable benchmark in 2009), is shown in Figure 1 below:

Figure 1 2011 overall results

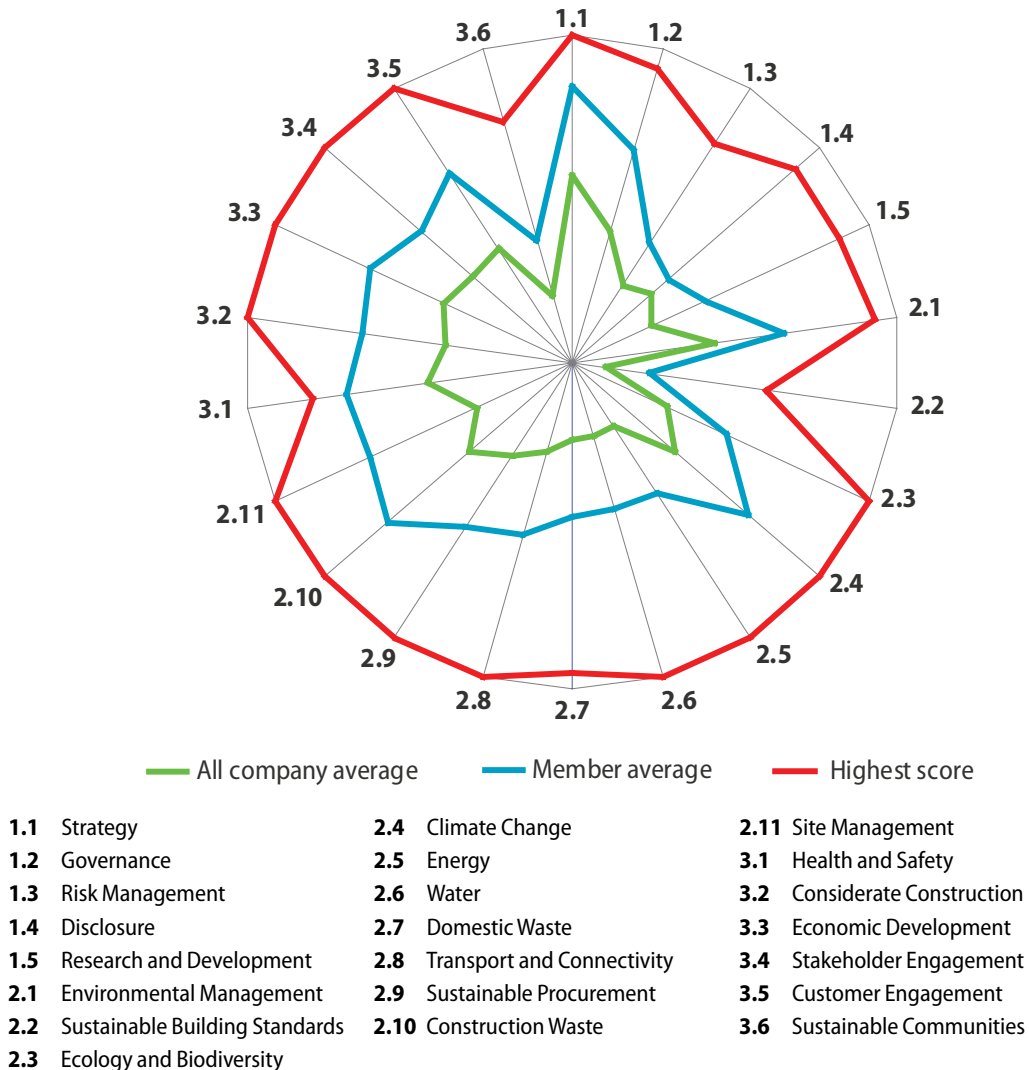


The level of disclosure of sustainability information, including the quantity and quality of data submitted to NextGeneration, points to a reaffirmed commitment to sustainability in what is still a challenging economic climate. In comparing this benchmark with the 2009 benchmark, the average score awarded for sustainability disclosure is up by 2%. Sixteen of the seventeen companies in the benchmark that have a current sustainability policy disclose this on their websites, while 23 companies have sustainability information of some kind on their websites. A number of companies have radically improved their web presence this year to better communicate their performance and commitment to sustainability (evident from the case studies included in this Executive Summary, which are all taken from publicly available information). Nevertheless, only 13 companies in the benchmark produce and publish a sustainability report detailing their performance, and this is clearly an area in which the sector can still improve.

Overview of results

The 2011 benchmark results show great variation in sustainability performance among home builders. Overall scores ranged from 0% to 82%, which is similar to the range of scores recorded in the two preceding years (0% to 85% and 0% to 87% respectively). Figure 2 (below) shows the highest score, member average and all company average against all 22 sub-sections within the benchmark.

Figure 2 Comparison of highest scores, member scores and non-member scores in the benchmark



Private companies such as Crest Nicholson, Willmott Dixon and Miller Homes (joint 2nd and 3rd place in the ranking respectively) continue to perform very well and demonstrate leadership in sustainability. However, overall, 'listed' home builders continue to outperform 'non-listed' with the seven of the bottom eight performing companies being 'non-listed' developers. This could be a function of the reporting requirements which apply to 'listed' companies that mean that there is likely to be greater disclosure of information in all spheres of the business.

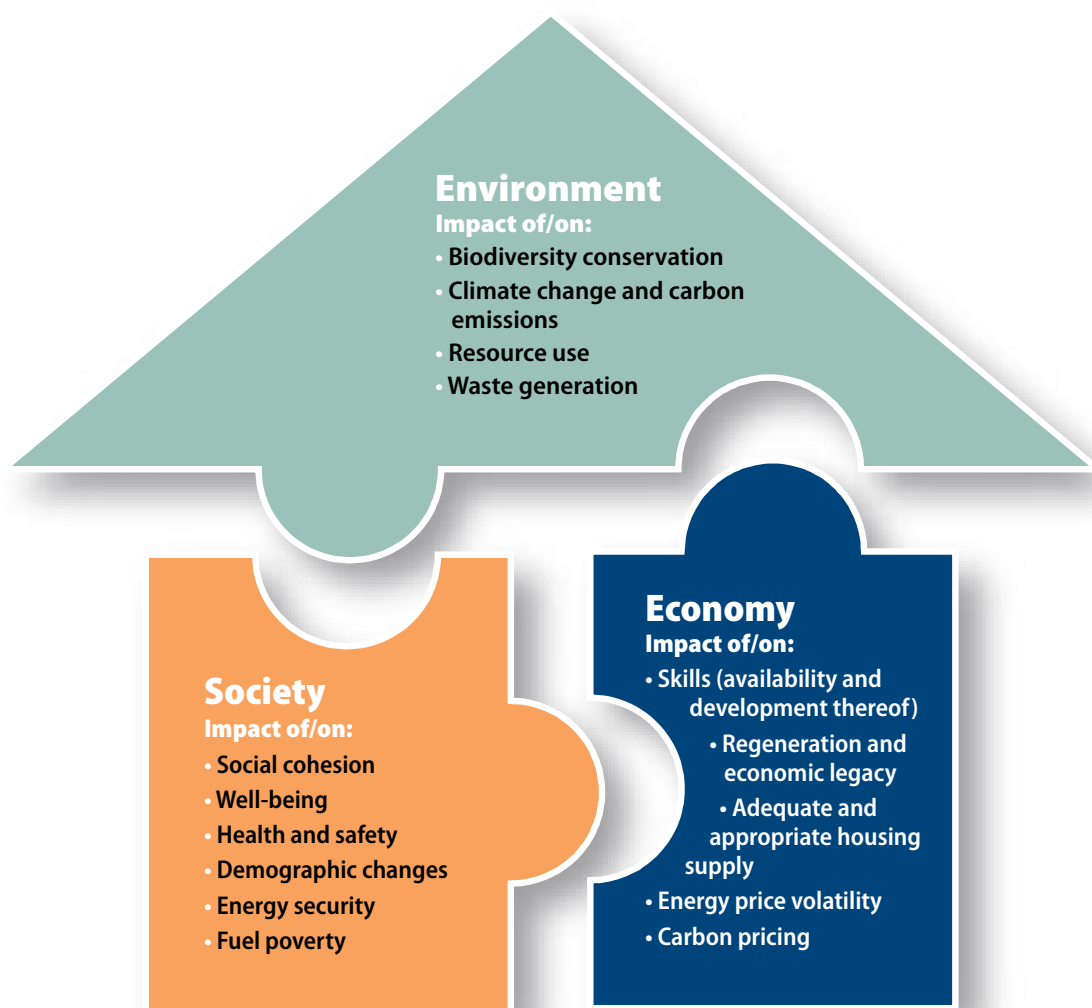
Two companies scored 0% under the benchmark in comparison with the five companies in this bracket last year. However, as with previous benchmarks, we would highlight that non-member scores may not represent actual commitment and performance, but a lack of disclosure in this area. As with any company 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.

Why benchmark sustainability in the home building sector?

All homes have sustainability impacts throughout their long lifecycle. Their design, location, the materials from which they are built, and the construction and demolition processes involved, all have a great and ongoing impact on the environment, society and economy. The greatest lifecycle impact, however, is our occupation of homes during their extensive lifespan. Many facets of the design of a home will influence the choices we make, such as the amount of energy we use to heat our home, our transport choices and our patterns of work and play.

The following diagram (Figure 3) summarises the key linkages between home building and the sustainability agenda.

Figure 3 Sustainability and home building



NextGeneration believes that by undertaking this comprehensive sustainability benchmark, companies can focus on the entire range of material sustainability issues facing their organisations and understand how best to respond to them.

Methodology

Criteria development

NextGeneration's core aim is to promote best practice in sustainability in the home building sector, and the criteria on which the assessment is based are of paramount importance. On an annual basis, three months are dedicated to research and development, as well as consultation with the Executive Committee and members, in order to arrive at a set of challenging and relevant criteria that allows NextGeneration to draw out performance trends over time.

In 2011 there are in excess of 250 criteria which fall into the following three categories:

- **Strategy, governance and risk management**, which looks at policy and strategy, commitment to sustainability from all levels of the organisation, internal communication and training, the quality of public disclosure and data assurance, risk management, and research and development.
- **Environmental impact**, which examines environmental management and 10 key impact areas, including energy and climate change, water, waste, ecology, sustainable building standards, transport and sustainable procurement.
- **Impact on society and economy**, which reviews six key areas including health and safety, considerate construction, economic development and legacy, stakeholder engagement, customer engagement and sustainable communities (environmental infrastructure, place making, quality and design standards and post-occupancy evaluation).

The criteria are weighted so that approximately 75% of the points are awarded for a company's 'performance', with a lesser amount available for a 'commitment', so that the benchmark awards most points for what companies do, rather than what they say they will do.

More detail on the criteria can be found on the NextGeneration website: www.nextgeneration-initiative.co.uk

Having agreed the criteria, the NextGeneration benchmarking process is undertaken in two phases:

Phase one: NextGeneration evaluates the **publicly available information** of the top 25 UK home builders (by size) against the criteria. This includes a detailed analysis of:

- Sustainability (or Corporate Responsibility/Environmental/Health and Safety) reports
- Annual reports and accounts
- Sustainability coverage on corporate websites (excluding marketing websites and press releases, unless specifically referenced in the sustainability information)

The companies are then ranked according to their score.

Phase two: This looks at information that is not publicly available and is a level of scrutiny only available to the NextGeneration members. NextGeneration undertakes a face-to-face meeting with each member to discuss the benchmark criteria and they are then able to submit further evidence against relevant criteria.

A score of 100% in either phase would indicate that a company had achieved best practice as defined by the NextGeneration criteria.

Measuring trends over time

The 2007, 2009 and 2011 benchmarks have been broadly similar in their content in order to provide three sets of results that were comparable and to allow NextGeneration to report on how the sector has progressed over the four years. However, there are three distinct changes between the benchmarking years:

- While largely the same, and assessing companies against consistent headline sections, the criteria for 2011 have evolved since 2007, becoming more stringent in some areas, especially where new legislation has been introduced. For example, if a company was to score 60% in both 2007 and 2009, this would represent an improvement in performance in real terms of around 15%.
- The 2007 benchmark assessed the top 20 UK homebuilders by volume, whereas the 2009 and 2011 benchmarks were expanded to assess the top 25.
- The 2011 benchmark incorporates the criteria used in the subject-specific 2010 Sustainable Communities benchmark.

These changes mean that the benchmarks are not easily comparable. However, some areas of the benchmark have remained the same over the years e.g. strategy, governance, risk management, disclosure and assurance, and therefore there are certain sections where meaningful comparisons between the data sets have been made.

In order to address this, 2011 marks a watershed, whereby the criteria and benchmarking process has now been fixed; i.e. in future years the same annual benchmark that has been run in 2011 will be used with minor adjustments (5-10%) to reflect best practice. This will allow for the extraction of comprehensive and robust year-on-year trend data as we go forward.



Results: three key industry strengths

Strategy and governance

This is an area in which companies tend to score well, demonstrating that sustainability is firmly on the boardroom agenda. The average score for these sections is up 2.5% since 2009.

There has been an increase in disclosure on strategy and governance structures, with some companies publishing sustainability information for the first time this year. The process of gathering information has the potential to improve sustainability management practices (as illustrated by the quotation from Crest Nicholson, below) and this is particularly the case for those companies in the early stages of maturity in their sustainability strategy.



“Crest has been reporting on its non-financial performance since 2002 and each year the breadth of information disclosed has increased. Our approach is based on listening to our stakeholders needs, defining our material issues and developing our reporting against them. We firmly believe in open communication, and our report is an honest discussion of the progress we have made, along with the challenges we face in embedding sustainability into our business. Whilst its main function is to communicate our progress, the process of reporting itself provides us with an opportunity to re-focus and drive performance improvement.”

Julia Plaskett, Group Sustainability Manager, Crest Nicholson

The quality of strategy information is relatively good. Miller Homes has a particularly strong approach to disclosure as discussed in the case study (below):



“Miller Homes makes its Key Performance Indicators and performance against them for the last 2 reporting years available on its website. It publishes in excess of one hundred KPIs under the following headings:

- ***Best Employer in the Sector***
- ***Waste***
- ***Understand the Supply Chain and its Impacts***
- ***Products and Design***
- ***Reduce Direct Emission of Greenhouse Gases by 30%***
- ***Customer Satisfaction***
- ***Health, Safety & Environment***
- ***Recognised as a safe place to work***
- ***A Good Neighbour***
- ***Help Homeowners Live a Sustainable Lifestyle”***

However, all home builders should give a clearer articulation of the links between policies, strategies, objectives and targets, as well as diagrammatic representations of governance structure. This would be beneficial to all stakeholders so as to:

- demonstrate a clear allocation of roles and responsibilities within the organisation;
- show how policies are implemented in practice e.g. through linking site monitoring to KPIs, targets, objectives and an overall policy commitment; and
- give stakeholders confidence that the policy and strategy is reviewed regularly and remains relevant and material to the organisation.

The sustainability message does not always flow from the boardroom to building sites in the home building industry. While, for many companies, the strategic approach to sustainability management is sound, there is not always a full implementation of strategies, policies, objectives and targets throughout the business. For example, NextGeneration has discovered that environmental and sustainability responsibilities in many companies have yet to be enshrined in job descriptions, and this could pose a risk to sustainability management. However, 'health and safety' responsibilities are often better documented, and so is therefore an opportunity for the sector to use existing management structures to ensure that there is clarity regarding sustainability responsibilities throughout design, build and handover.

Some companies, such as Willmott Dixon and Taylor Wimpey (see case studies below) are leading the field in order to drive sustainability management to the heart of their business, and they are linking performance to remuneration.



**WILLMOTT DIXON
HOUSING**

"Willmott Dixon has embedded sustainable development into its bonus scheme for employees.

In 2011 employees' bonus payments can be increased by up to 20% as a result of performance against a set of ten project sustainability indicators.

The annual incentive scheme for Managing Directors is directly linked to employee bonuses and engagement. The overall bonus awarded to employees and level of satisfaction derived from an annual employee survey weight the level of payments achieved.

The employee survey includes questions related to sustainable development."

**Taylor
Wimpey** | plc

"During 2010 we introduced environmental criteria into our executive incentive scheme, which applies to all UK, divisional and regional management teams. In 2010 a significant element of a director's incentive payment related to tonnes of construction waste per plot built. This is designed to provide further encouragement to the regional businesses to reduce both waste volumes and cost."

Environmental and health and safety management

These are two well-established areas of sustainability management and ones that are closely tied to compliance with legislation. Nevertheless, not all companies have a certified management system governing their approach to the environment and health and safety, although multi-sector and construction companies are more likely to have certified systems in place.

Six of the top ten companies in the benchmark have ISO 14001 certified environmental management systems (EMS) and three of those have a certified (OHSAS 18001) health and safety management system.

Lend Lease (see case study below) outlines the value of its EMS in delivering its sustainability aspirations.



"Our Environmental Management System

In accordance with our Environment Policy Statement, all Lend Lease businesses operate an integrated Environment, Health and Safety Management System that ensures audits, inspections and management reviews are routinely completed to ensure environmental, health and safety performance.

Within this system, our Environmental Management System – which meets the requirements of the International Standards Organisation (ISO) 14001 – provides a framework for businesses to comply with global regulatory and compliance requirements through routine environmental risk analysis. The Environmental Management System also allows our businesses to monitor and report their environmental performance against targets and objectives, including those set by our Sustainability Aspirations."

However, a certified system is not a panacea and companies without ISO 14001 certifications outperformed rivals in terms of their approach to construction site environmental management and site auditing.

There is increasing transparency surrounding environmental management with some companies, such as Keepmoat Group (see case study below) disclosing their certificates online. Most companies are also disclosing their record on environmental (and health and safety) prosecutions, viewing this as a positive statement to communicate to stakeholders. One company received an environmental prosecution during its last reporting year and disclosed this on their website, along with a description of the corrective and preventative actions put in place in response to the incident.



The Keepmoat Group consists of six companies which are each certified to ISO 14001. A number of the companies have uploaded a copy of their ISO 14001 certificates online which provides immediate assurance to the reader regarding the scope of the certification and its currency. One of the Keepmoat companies is also certified to ISO 16001 for its Energy Management System and it provides that certificate online, too.

Customer engagement

The average score in this section is 47% which is an increase in 5% against the 2010 score (from the Sustainable Communities benchmark where identical criteria were used). Companies still score more highly in terms of their performance (data on customer feedback), but scores on the approach to customer engagement (including approaches to quality and customer service) and provision of sustainability information to potential buyers and during the handover process, have both improved. Nevertheless it is clear that more could be done by home builders to sell the benefits of sustainability and to make this a positive feature of their marketing campaigns for all developments. e.g:

- showing proximity to public transport nodes;
- demonstrating the benefits of sustainable homes in terms of energy savings in financial terms, as well as other benefits; and
- where relevant, proving how sustainable features could enhance the value of dwellings now or in the future.

The case study below from the Berkeley Group highlights one of the better marketing initiatives among the benchmark members.



“Our website has an interactive house which provides tips to customers on how they can live more sustainably in their home.”

“Handover packs are given to all residents, which feature information on sustainability, including tips on features in the home, green transport, and community facilities in the area.”

Three key industry weaknesses

Risk management

This area was raised as a weakness in the 2007, 2009 and 2010 benchmarks and the low score this year (28%) indicates that it is still a subject that needs to be addressed in order for environment, social and governance (ESG) risks to be accorded adequate weight alongside other risks e.g. financial, legal and health and safety.

There is still little disclosure on ESG risk management and approximately half of companies have no public information regarding these risks. Where ESG risk information is disclosed, the detailed coverage tends to be in the sustainability report, with often only a mention of ESG risks in the annual report and accounts (or other financial reports). This is in sharp contrast to more comprehensive risk management information surrounding financial and legal risks that, for example, is commonly disclosed in financial reporting.

Integrating ESG risks into the overall business risk management process is a clear demonstration that the company fully understands its ESG risks and the financial implications thereof, and shows that sustainability is not a peripheral issue for the business. Some of the benchmarked companies are beginning to address this and acknowledge the role that ESG risk plays in land acquisition, development control decisions, ensuring compliance with legislation and customer demand.

In order to improve performance in this area, companies must give a detailed description of their approach to risk management including both financial and ESG risks, outlining the methodology used for understanding the significance of these risks and the associated commercial implications. This should be within the risk section of the financial report.

Ecology and biodiversity

The average score in this section was just 31%. Companies scored poorly in demonstrating their performance in biodiversity management throughout the project lifecycle. The level of policy commitment to biodiversity and ecology was better; however there was wide variation in terms of the weight given to this issue. Not all sustainability or environmental policies mention biodiversity, which is in stark contrast to a number of companies who have a standalone biodiversity policy.

Home builders were largely unable to demonstrate how the recommendations of studies, planning requirements and corporate commitments are being fed into project design and delivered on site. Most companies could show that ecology and biodiversity are considered at the design and planning stage, but few could provide evidence that recommendations from ecologist reports are incorporated into the design and describe how ecology is managed on site. There were also relatively few examples of ecological enhancements on current projects, beyond those that are required to comply with legislation. The possibility of 'biodiversity offsetting', as introduced in the Natural Environment White Paper⁴, may provide a vehicle for home builders to achieve a greater positive impact in this area.

Few participants have worked with a stakeholder (other than paid consultants) to develop their approach to biodiversity and this is an area that home builders should explore further in order to strengthen their understanding and performance. These stakeholders could include: Wildlife Trusts, Local Authority ecologists, and the Royal Society for the Protection of Birds.

Post-occupancy evaluation

Measuring the success of sustainability measures incorporated into a development is critical, to ensure that sustainable outcomes are being achieved and that improvements in sustainable home building are continually being made. This is an area in which only a minority of home builders are beginning to undertake studies and where some data has been gathered in recent years. Many companies still confuse post-occupancy evaluation (POE) with customer feedback/satisfaction. While there may be some coverage of sustainability in customer feedback questionnaires, most of this is dedicated to understanding the customer's satisfaction with the sales and handover process and does not determine the performance of sustainability features of a dwelling/development, beyond an initial indication of whether the occupant understands how to use any sustainability features.

Post-occupancy evaluation studies that have been carried out to date, and those studies that are underway, are mostly focused on environmental sustainability (energy and transport in particular) rather than sustainable communities. Many of these studies are pilots or have been undertaken on a small scale and the results, or a summary thereof, are often not disclosed publicly.

Clearly there is an opportunity to improve performance in this area and the results from past and current studies should be used to inform the industry as a whole. Home builders should capitalise on technology and social media in order to help them harness the information from the 'in use' phase of their products and overcome certain barriers to projects, such as the invasiveness of studies and the long-term engagement needed with owners/tenants. The sale of freeholds and the long-term nature of the property cycle still make POE a challenging exercise but the benefits of such insight into the performance of a dwelling/community should justify any investment in this area. Perhaps, as a start, the industry should aim to work together to sample a percentage of new homes in order to draw out trend data for different house types, different microclimates and different types of tenancy from across the country.

⁴ The natural choice: securing the value of nature, HMSO, 7 June 2011

Key trends

Deciphering UK sustainable development policy

The proposed National Planning Policy Framework, which aims to make the planning system less complex and promote sustainable growth is seeking to integrate the three pillars of sustainability – social, environmental and economic stating that:

“These three components should be pursued in an integrated way, looking for solutions which deliver multiple goals.”

This is a promising commitment. However, there is a lack of clarity and harmonisation in key policies relating to these areas.

Taking the area of environmental sustainability as an example; the detail of ‘Zero Carbon’ is yet to be published; there have been changes to the feed in tariff; there are continuing discussions about how the ‘Green Deal’ might work; and wider debates about energy supply and security in the UK. This provides a challenging climate for decision makers in the home building industry; for investors keen to minimise risk, through to consumers keen to ensure the on-going marketability of their homes.

The advent of ‘localism’ presents a new challenge to the home building industry as there is a lack of understanding resulting in uncertainty on the potential challenges and opportunities this new legislation might bring. However none of this is an excuse for inaction and all home builders must work to ensure a consistent approach to community engagement on all developments which includes local stakeholders in the planning and designing of their communities.

Therefore, it is imperative that Government, industry and other stakeholders continue to work together to resolve any policy conflicts and confusion to ensure that sustainable development is practically achievable from this point onwards.

Reporting, openness and transparency

Sustainability reporting is an area that is changing in response to established reporters’ desire to avoid repetition of information year on year. In addition, reports are often lengthy; not targeted at a particular audience; not current enough for those who expect real time information; and ineffective at engaging/influencing stakeholder behaviour. A trend is emerging whereby some of the established reporters focus on key performance data and achievements for the year in question in a short report and supplement this with greater information on the website. Nevertheless, there is nervousness in the industry regarding a pioneering approach to sustainability communications since companies are unsure how stakeholders, particularly Socially Responsible Investment (SRI) analysts and investors, will react if they do not produce a traditional sustainability report, especially given the advent of Global Reporting Initiative’s Construction and Real Estate Sector guidelines, GRI CRESS, which seeks to standardise sustainability reporting approaches in the real estate sector.

This is an area that requires further development. Some key questions that the home building industry and others undertaking sustainability reporting should consider are:

- how could sustainability communications evolve to meet the needs of different audiences in 5-10 years time?
- could individual developments provide better sustainability communication channels than corporations?
- how can a company ensure that its sustainability messages are reflected and embedded in **all** corporate communication channels (e.g. CEO speeches, press releases, financial reporting)?

Three key recommendations to industry

- *Ensure that sustainability issues and, specifically the risk associated with them, are integrated into their annual report and accounts.*
- *Understand the issues material to the business, being sure to include issues such as ecology, and develop a robust approach to management of all material issues throughout the product lifecycle.*
- *Undertake post-occupancy evaluation on all aspects of a development more frequently and rigorously in order to capture and apply lessons learnt, and improve research and development in sustainability*

Three key recommendations to Government

To enable home builders to deliver truly sustainable developments, it is critical that the Government sets out its expectations of the industry in this area, particularly by clarifying the role of all stakeholders in the development process. It should ensure that policies supporting the growth of sustainable housing supply embody a clear and long-term vision that enhances delivery of low and zero carbon homes, and enables the housing industry to play its part in bolstering the green economy in the UK. Specifically the Government should:

- *Ensure the planning system provides a clear framework for all stakeholders to deliver a truly sustainable built environment.*
- *Ensure policies dovetail to deliver the right incentives across different policy areas and remove barriers to the delivery of sustainable homes.*
- *Ensure that policies supporting the growth of a sustainable housing supply embody a clear and long term vision that enhances delivery of low and zero carbon homes, positioning the housing industry as a key sector in the delivery of a low carbon economy in the UK.*

2 Introduction



2.1 The 7th annual benchmark

This report contains the findings of the seventh NextGeneration benchmark. NextGeneration is an annual benchmark of the top 25 UK home builders¹ performance in delivering sustainable development and in this edition we present the results of the first comprehensive sustainability benchmark undertaken by NextGeneration. The 2011 benchmark has distilled criteria from each previous benchmark (see Figure 4) to arrive at a full assessment that covers social, economic and environmental sustainability through assessment against in excess of 250 separate indicators. The same benchmark will now be run each year going forward.

Figure 4 Evolution of the NextGeneration Annual Sustainability Benchmark



¹ This was calculated through analysis of turnover and volume of dwellings built in the 2009/10 financial year.

NextGeneration has brought together the private sector UK home builders responsible for delivering circa 45% of the annual housing output in the UK², with the Homes and Communities Agency and WWF–UK, to undertake a benchmark which determines the industry's progress in tackling the sustainability agenda.

This report shows the progress that has been made in delivering sustainable development and also draws out the industry's key strengths and weaknesses. We discuss the key trends that are having an impact on home builders' approach to sustainability and identify some of the challenges and opportunities that lie ahead for the sector in fully playing its part in securing a sustainable future. In conclusion, we provide recommendations to home builders and the Government to assist in overcoming those challenges.

2.2 Background to this benchmark

It has been four years since the housing market began to decline and, with few signs of recovery and a lack of finance for developers and potential buyers, productivity has continued to reduce. The Government launched its housing strategy³ in November 2011, which promises assistance to first time buyers, financial assistance for viable projects to deliver new homes and help to home builders where progress on sites has stalled. While this is a positive step for the industry, it comes against a backdrop of a lack of clarity in key policy areas such as planning, localism and decentralisation, energy and environmental policy. 2012 will be a pivotal year for the home building industry.

² Communities and Local Government, 2010. *House Building December Quarter 1 to 4 2010* [online]. <http://www.communities.gov.uk/publications/corporate/statistics/housebuildingq42010> [Accessed October 2011]. Statistics refer to completions in UK only. Member company output has been calculated from figures reported in annual reports and accounts and information provided by member companies.

³ Laying the Foundations: a housing strategy for England: <http://www.communities.gov.uk/publications/housing/housingstrategy2011>



3 Why Benchmark?

3.1 An introduction to benchmarking

The benefit of any benchmark is that it allows an organisation to see how it performs in relation to its peers. By comparing its performance and achievements against those of others, an organisation can identify what, whether and how things can be done better.

Critically, benchmarking should be an ongoing process that allows organisations to continually drive for the attainment of 'excellence'. In recognition of this fact, NextGeneration will now run the same benchmark each year. Through use of benchmarking results, performance can be monitored, practices can be adjusted, further changes can be explored and new initiatives can be developed.

For any organisation, a benchmark therefore provides regular and essential evidence for change and improvement. It invariably allows companies to identify and address detailed areas of practice and performance and to prioritise plans and resources accordingly. A reputable benchmark should not only directly stimulate the direction and implementation of change from the highest level within an organisation, it should also motivate managers and staff at all levels. If there is not momentum from within, then public benchmarks such as NextGeneration, the heightened media profile of all 'surveys', and the ever-growing awareness of clients, investors, shareholders and other stakeholders will all provide a powerful 'push'.

For an industry or sector as a whole, the pooling of information allows a benchmark to identify collective trends, advances, inertia or even regression in particular areas of practice or performance. Benchmarking also provides an opportunity for organisations to collaborate on important issues and to achieve benefits to society which are greater than their individual efforts.

3.2 The NextGeneration benchmark

In an escalating culture of data analysis and public disclosure, particularly regarding sustainability, the relevance of the NextGeneration benchmark has never been stronger. The sustainability agenda is pervading all parts of society, alerting a broad consciousness and heavily impacting on those organisations and behaviours that are perceived to have the greatest effects on sustainability. At the same time, the pull factors for embracing sustainability – such as financial, operational and marketing benefits – are becoming equally compelling.

NextGeneration also provides an independent benchmark of performance which is tailored to the specific issues faced by the UK home building industry and therefore provides specific geographical and industry insights. As a measure of progress, the benchmark allows comparison against previous performance as well as that of other participants within the survey, and its frequency provides a timeframe for companies to respond to findings, and to accelerate or initiate change. The set of criteria within the benchmark also means that participants can clearly identify particular strengths and weaknesses, and allocate and prioritise resources and ‘management energy’ accordingly.

“We have found real value by integrating our performance under the Benchmark as part of our broader Corporate Responsibility assessment. The internal focus in preparing the submission; the quality of the feedback we receive from NextGeneration and the sharing of industry best practice, have all strengthened our approach. We have used the lessons from this process to inform and feed into our Divisional action plans and to deliver improved Corporate Responsibility performance.”

Stephen Teagle, Managing Director Affordable Housing & Regeneration, Galliford Try Group (incorporating Linden Homes)

As this benchmark is in the public domain, it also enables its participants to signal their commitment to addressing sustainability issues, and to be evaluated by their clients, customers, shareholders and other stakeholders. Equally so, it provides investors and the Government with a thorough and objective assessment of the home builders’ role and performance on sustainability, thereby allowing better investment, purchasing and policy decisions.

3.3 Best practice in benchmarking

To ensure that it is 'fit for purpose' and is clearly understood and valued by stakeholders, NextGeneration is constantly looking to improve the quality and transparency of the benchmark. An ongoing objective is to meet best practice standards in benchmarking and for the benchmark to be considered fair, accurate, credible and reputable by all involved.

To this end, we welcome the 'Rate the Raters'⁴ report, which has looked at the evolution of sustainability 'ratings' to gain a clear understanding of the challenges that 'raters' face and to better understand how they work in practice.

The report highlights some general recommendations intended to help 'raters' enhance their 'ratings':

- **Articulate the objectives and motivations** behind the ratings, so organisations can see why a benchmark is distinct and adds value.
- **Pick on a specific audience**, rather than attempt to accommodate all stakeholders, and focus on the value that they seek.
- **Strive for greater transparency**, as stronger disclosure and the methodology and results behind a benchmark give companies a clearer blueprint for improved performance, and a better understanding eases decision making, increases perceived value and potentially accelerates adoption.
- **Aim for simplicity** and avoid complexity in criteria, questions and scoring. The simplest benchmarks are more likely to be understood, trusted and therefore used by stakeholders, and organisations will be more responsive for information requests if it is easy to grasp what is being rated, what is being asked for and why.
- **Concentrate on quality control**; a rigorous approach is increasingly essential as investors seek reassurance that ratings are credible seals of approval with strong foundation processes behind them.
- **Focus on the future**, and not on past or current performance, to assess how well companies are prepared for what lies ahead.
- **Spend more time with organisations** that are being rated as this will lead to a stronger knowledge of their business, enable the verifying of publicly-reported information and help companies understand how to improve their performance.

In supporting and pursuing these recommendations, NextGeneration believes that, overall, the objectives, transparency, content, quality and direction of the benchmark is on the right track. However, we are continually reviewing opportunities to enhance every aspect of the benchmark, through our own assessments and, more critically, through understanding the thoughts and needs of 'rated companies' and the wider stakeholder audience.

⁴ Please see the following website to download the report and for further information on this project: <http://www.sustainability.com/library/rate-the-raters-phase-three>



4 About NextGeneration

NextGeneration was launched in 2006 as a multi-stakeholder initiative to drive best practice in sustainability into the heart of the residential development sector.

4.1 Executive committee and secretariat

For the 2011 benchmark, NextGeneration has been supported and directed by the Homes and Communities Agency and WWF-UK through their role on the Executive Committee. The committee's role is to ensure the integrity and transparency of the initiative's governance. Upstream Sustainability Services at Jones Lang LaSalle acts as the secretariat to the initiative; carrying out the analysis, underpinning the benchmark and delivering a range of services to NextGeneration members, including workshops on best practice, networking events and sustainability news bulletins.

4.2 2011 membership

The following 11 companies (from the top 25) accepted the invitation to join the benchmark. They have a combined annual turnover of over £10 billion and completions of over 65,000 units per annum:



Members benefit from a number of specific services provided by Jones Lang LaSalle, particularly through a greater opportunity to understand the benchmarking process (opportunity to raise questions on the criteria before they are set by the Executive Committee, receipt of guidance on how to interpret the criteria, through a more detailed analysis in Phase 2 of the benchmark and access to benchmarking data (see Section 5 for further details on the methodology).

NextGeneration also facilitates quarterly best practice events for members to discuss pertinent sustainability issues facing the sector. This is also a chance for other organisations to present to the NextGeneration membership. During the course of 2011 these events have covered sustainability reporting and the Global Reporting Initiative's Construction and Real Estate Sector Supplement (GRI CRESS), zero carbon, sustainable procurement, and construction waste, and have been attended by representatives from the Waste & Resources Action Programme (WRAP), the National Industrial Symbiosis Programme (NISP) and members of the GRI CRESS working group.

Newsletters are sent to members on a regular basis updating members on key sustainability, home building and benchmarking news and events.

4.3 Wider activities


Advocacy

Since its inception in 2006, NextGeneration has endeavoured to position itself as a voice on sustainability issues for its home builder members. This year, NextGeneration has also been working to raise the profile of the benchmark and its members through presentations to the following groups:

UKSIF (the membership network for sustainable investment and financial services):

NextGeneration hosted a seminar in December for UKSIF's members, including banks, pension funds and fund managers, to present and discuss the results of the 2011 benchmark. Janet Kidner from Lend Lease, one of the NextGeneration members, also presented on her company's approach to sustainability before a lengthy discussion on the benchmark results.

Local Government Association (LGA): NextGeneration ran a fringe event at the LGA's Annual Conference in June. In line with the conference's wider theme of 'Localism Works', the event was titled 'Bringing together government, the private sector and local communities to create more sustainable places' and focused on the lessons from last year's Sustainable Communities benchmark in terms of community and stakeholder engagement. Peter Andrew from Taylor Wimpey, one of the NextGeneration members, also provided a homebuilder's perspective on Localism.



5 The Benchmark Methodology

5.1 Who we benchmark

The NextGeneration industry benchmark assesses the top 25 UK home builders by size⁵. The following companies were benchmarked; member companies are in **bold**:

Barratt Developments	Kier Homes
Bellway Homes	Lend Lease
Berkeley Group	Linden Homes*
Bloor Homes	Lovell Partnerships
Bovis Homes	Miller Homes
Cala Group	Morris Homes
Countryside Properties	Persimmon
Durkan	Redrow
Crest Nicholson	Stewart Milne
Fairview New Homes	Taylor Wimpey
Galliard Homes	Telford Homes
Gladedale	Willmott Dixon
Keepmoat Group	

*part of the Galliford Try Group

⁵ This was calculated through analysis of turnover and volume of dwellings built in the 2009/10 financial year.

5.2 Benchmarking criteria

NextGeneration's core aim is to promote best practice in sustainability in the home building sector (through going beyond compliance with legislation or accepted industry norms), and the criteria on which the assessment is based are of paramount importance. Three months are therefore dedicated annually to researching, developing and consulting on a set of challenging and relevant criteria that allow NextGeneration to draw out performance trends over time.

The 2011 benchmark builds upon the six previous annual benchmarks and, in particular, incorporates the criteria used for the 2010 Sustainable Communities benchmark. Readers should therefore note that the 2010 and 2011 benchmarks are not directly comparable and that the best comparison year for this year's results is 2009. The basis for any comparisons made in this report will be made explicit.

The benchmark criteria are now fixed. This will allow for the extraction of comprehensive and robust year-on-year trend data as we progress. Going forward, NextGeneration aims to change or update no more than 5-10% of the criteria per annum in order to keep pace with sustainability excellence (e.g. changes in legislation).

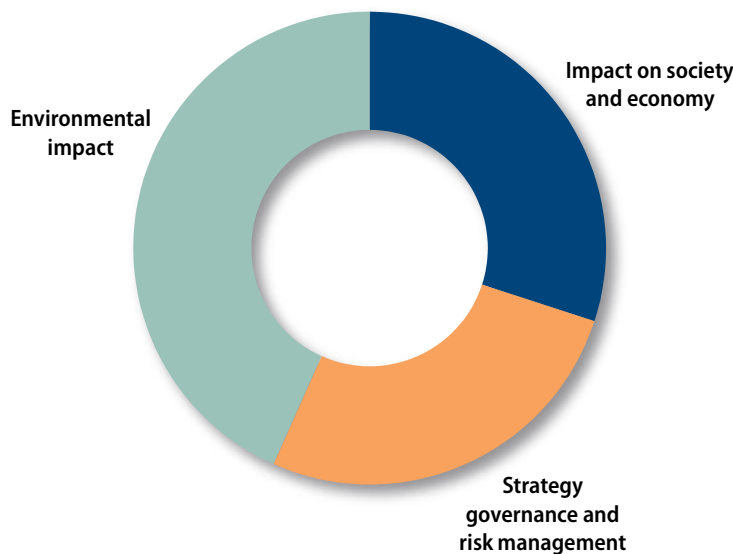
In 2011 there are in excess of 250 criteria that fall into the following three categories:

- **Strategy, governance and risk management**, which looks at policy and strategy, commitment to sustainability from all levels of the organisation, internal communication and training, the quality of public disclosure and data assurance, risk management, and research and development.
- **Environmental impact**, which examines environmental management and 10 key impact areas, including energy and climate change, water, waste, ecology, sustainable building standards, transport and sustainable procurement.
- **Impact on society and economy**, which reviews six key areas including health and safety, considerate construction, economic development and legacy, stakeholder engagement, customer engagement and sustainable communities (environmental infrastructure, place making, quality and design standards and post-occupancy evaluation).

Click [here](#) for more detail on the criteria.

The criteria are weighted so that approximately 75% of the points are awarded for a company's 'performance' with a lesser amount available for a 'commitment', so that the benchmark recognises what companies actually do rather than what they say they will do.

Figure 5 Criteria weighting



5.3 Benchmarking process

The benchmarking process is undertaken in two separate phases:

Phase One: As with previous benchmarks, all 25 home builders (by size) were subject to Phase One of the benchmarking process. NextGeneration evaluates the **publicly available information** of the top 25 UK home builders (by size) against the criteria. This includes a detailed analysis of:

- Sustainability (or Corporate Responsibility/Environmental/Health and Safety) reports
- Annual reports and accounts
- Sustainability coverage on corporate websites (excluding marketing websites and press releases, unless specifically referenced in the sustainability information)

The data analysed during this stage had to be publicly available before 31 May 2011. All member 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.

Non-members were provided with a summary of their results and were offered the opportunity to receive a presentation from the NextGeneration Secretariat on their results. Persimmon and Bellway Homes took this opportunity. All 14 non-members were invited to join the benchmark.

Phase Two: This looks at information which is not disclosed publicly and is a level of scrutiny that is only available to NextGeneration members. It provides a fuller assessment of a company's performance and allows us to check the detail behind any statements made publicly. We undertake face-to-face meetings with members in order to discuss the criteria and they are then able to submit further evidence against the benchmark criteria.

Having evaluated the Phase Two evidence, we then release a second report to members outlining their updated score in light of any further information disclosed. All 25 companies are then ranked according to their final score.

A score of 100% in either phase would indicate that a company had achieved best practice as defined by the NextGeneration criteria.

5.4 Establishing trends

The 2007, 2009 and 2011 benchmarks have been broadly similar in their content so as to provide three sets of results that were comparable and to allow NextGeneration to report on how the sector has progressed over the five years. However, there are three distinct differences between the benchmarking years:

- While largely the same, and assessing companies against consistent headline sections, the criteria for 2011 have evolved since 2007, becoming more stringent in some areas, especially where new legislation has been introduced. For example, if a company was to score 60% in both 2007 and 2009, this would represent an improvement in performance in real terms of around 15%.
- The 2007 benchmark assessed the top 20 UK homebuilders by volume, whereas the 2009 and 2011 benchmarks were expanded to assess the top 25.
- The 2011 benchmark incorporates the criteria used in the subject-specific 2010 Sustainable Communities benchmark.

These changes mean that the benchmarks are not directly comparable. However, some areas of the benchmark have remained the same over the years, e.g. strategy, governance, risk management, disclosure and assurance, and therefore there are certain sections of this report where meaningful comparisons between the data sets have been made.



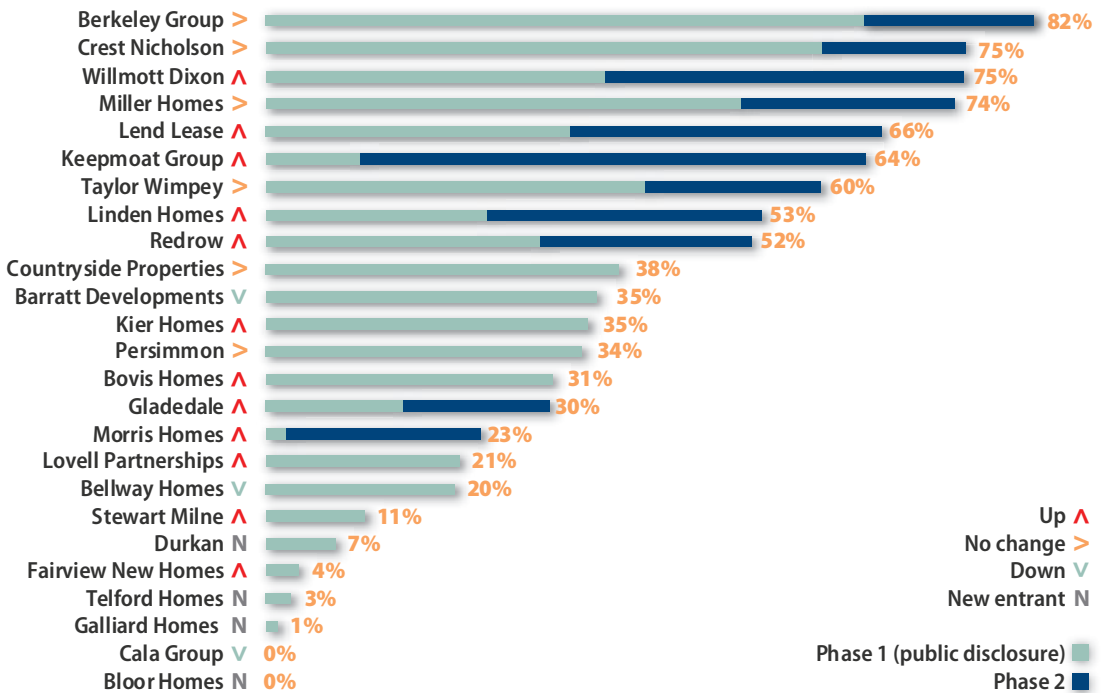
6 Headline Results

6.1 Company rankings in 2011

2011 sees some changes at the top of the benchmark. The Berkeley Group retains first place with a score of 82% and Crest Nicholson maintains second, now joined in the same position by Willmott Dixon (both scoring 75%). Miller Homes has kept its third position. Lend Lease and Keepmoat Group complete the top five positions.

The positions of all companies, including an indication of whether they have gone up or down in the rankings (compared to the last comparable benchmark in 2009), are shown in Figure 6 below:

Figure 6 2011 Disclosure of sustainability information



The 2011 benchmark results continue to show a great variation in sustainability performance among home builders. Overall scores ranged from 0% to 82%, which is similar to the range of scores recorded in the two preceding years (0% to 85% and 0% to 87% respectively).

Compared to the similar 2009 benchmark, the average score for member companies in the benchmark was up 2% to 60%, while that for non-members has risen from 13% to 17%. There were six companies scoring below 10% (two of these scored no points), all of whom are not members of NextGeneration. It should be noted that the scores of non-members are not necessarily reflective of actual performance, but could be a lack of disclosure in this area. 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.

6.2 Listed companies vs. non-listed companies

Of those companies benchmarked, 11 companies are listed and 14 non-listed. Overall, 'listed' home builders continue to outperform 'non-listed' with the seven of the bottom eight performing companies being 'non-listed'. In general, this difference is probably due to a more consistent and improved approach by the publicly-quoted companies, driven by a need to disclose information in all spheres of the business in order to satisfy shareholders. Nevertheless, private companies such as Crest Nicholson (see quotation below), Willmott Dixon and Miller Homes (joint 2nd and 3rd position in the ranking respectively) continue to perform very well and demonstrate leadership in sustainability.

“For Crest Nicholson, sustainability means delivering high quality, energy-efficient homes in a great setting which our customers will enjoy living in and where their own lifestyles can become increasingly sustainable. Each development has its own set of particular local needs which drive the design solutions. Whilst each solution is different, the delivery must be underpinned by strong governance. Good governance is key to the way we do business, embedding the core values of sustainability - economic growth, social inclusion and environmental protection, into our decision making processes.”

Chris Tinker, Group Board Director & Regeneration Chairman, Crest Nicholson

6.3 Public transparency

As outlined in the benchmark methodology section, the NextGeneration benchmarking is undertaken in two phases. Phase One is an assessment of companies' reporting and disclosure, with both members and non-members analysed on a like-for-like basis; Phase Two is an appraisal of members' additional information (not detailed in public communications).

In the review of the top 25 companies' public disclosure (Phase One), the average score has risen from 22% in 2009 to 24% in 2011 (within a 0-64% score span). As per the last benchmark, the results show that the overall top-performing companies in the benchmark, Berkeley Group and Crest Nicholson, are also the most transparent in terms of disclosure; in fact six of the ten most transparent companies also sit within the 'top ten' of the overall rankings. For Willmott Dixon, Keepmoat Group, Linden Homes and Redrow, in particular, this is an area of sustainability management that could be improved upon to ensure that the public information they provide adequately reflects their actual performance. Once again, it is significant that four of the six most transparent companies are private, proving that strong public disclosure is not just the preserve of listed companies.

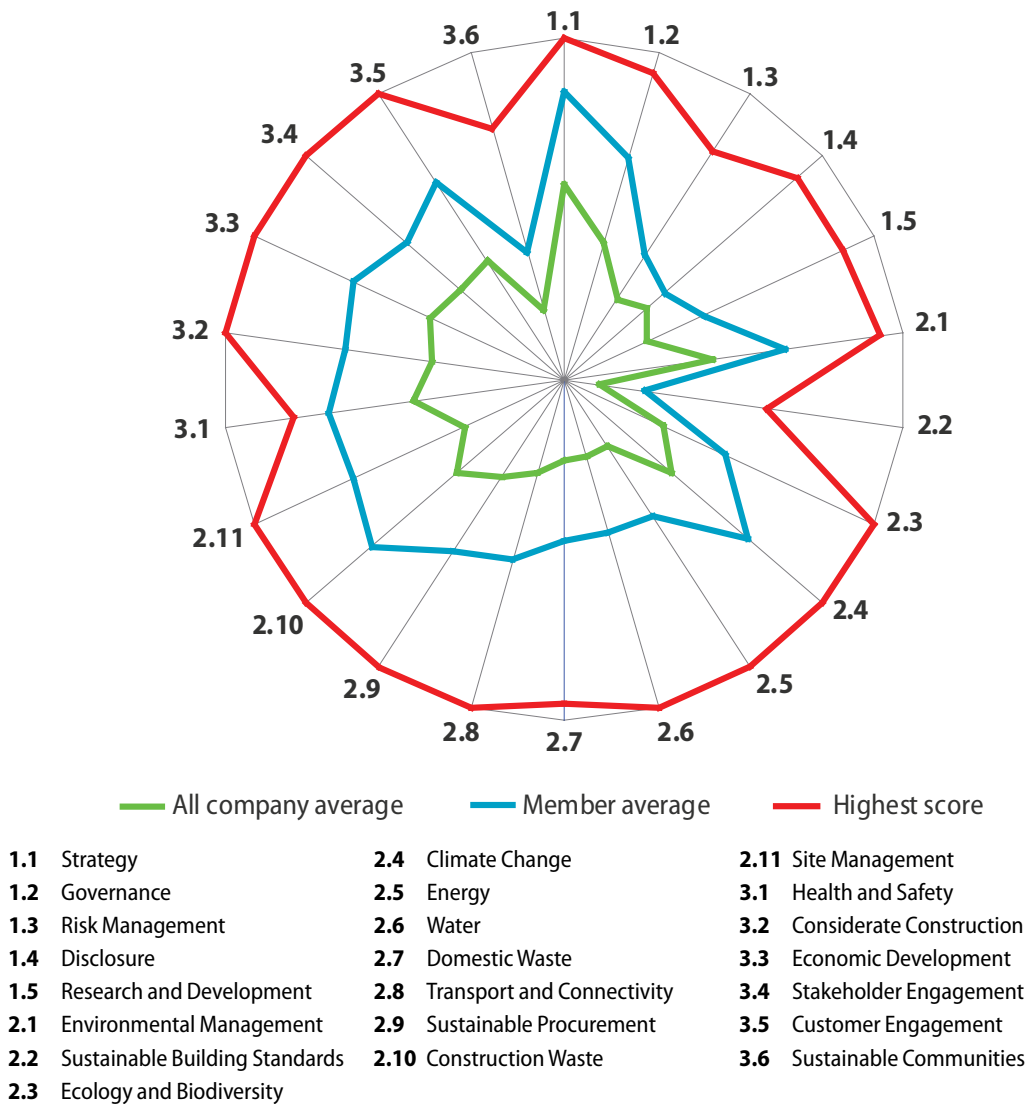
Within the overall results, there is a notable increase in those companies making some level of disclosure on sustainability issues – with the number of companies scoring 0% falling from five to two – while those companies achieving a score in excess of 30% has increased from eight to eleven. As with previous benchmarks however, the data continues to reveal varied performance, both between companies' approaches to reporting on sustainability and to past performance within the benchmark e.g. Miller Homes has soared from a disclosure score of 15.1% in the 2009 benchmark to 50.8% in 2011.

Nevertheless, in a persistently challenging economic and business environment, the encouraging trend is that the quantity and quality of data has increased, even if marginally, and this reaffirms the commitment of companies to the sustainability agenda.

6.4 Average and high scores

Figure 7 (below) shows the highest score, member average and all company average against all 22 sub-sections within the benchmark.

Figure 7 Comparison of highest scores, member scores and non-member scores in the benchmark



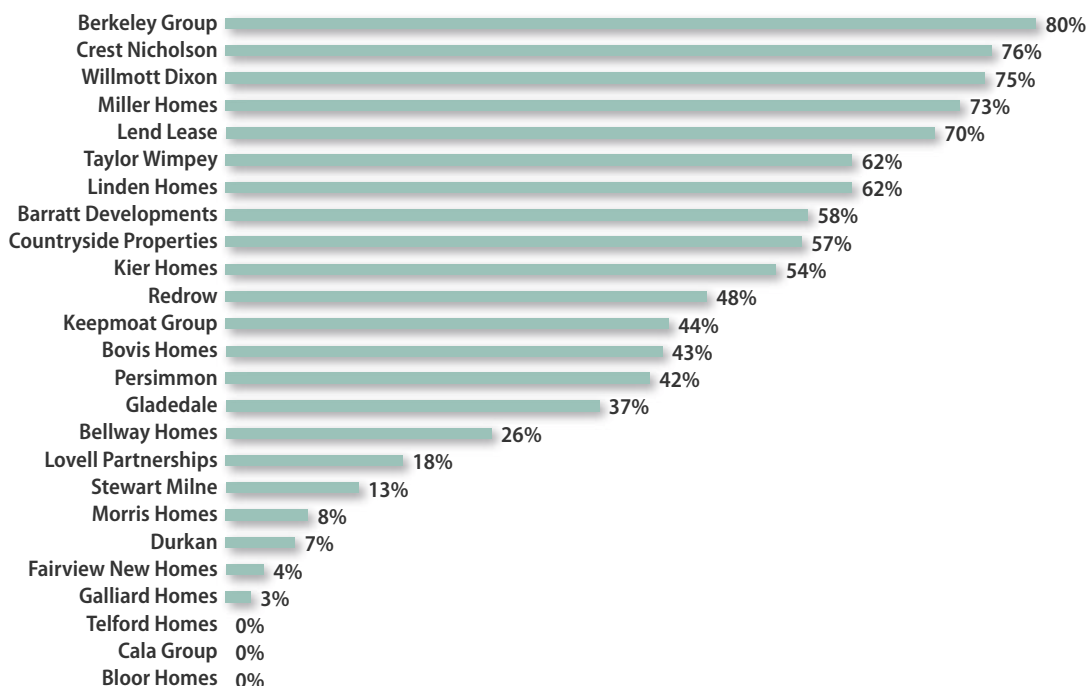
Performance in individual sub-sections will be explored in sections 7-9 of the report and further detail is available on the NextGeneration website.

7 Strategy, Governance and Risk Management

7.1 Overall performance

The 25 companies benchmarked achieved an average score of 37% on strategy, governance and risk management – the highest across the three benchmarking sections.

Figure 8 Strategy, governance and risk management



This is an improvement of 2% compared to 2009, although it must be stressed that this section contains a new sub-section on 'research and development' and therefore the comparison between the two years is only indicative. More detailed analysis of some of the highest and lowest scoring sub-sections and robust trend data are drawn out in the rest of this chapter. For full details on performance in other sub-sections relating to 'strategy, governance and risk management', please visit the [NextGeneration website](#).

7.2 Three key strengths

Strategy

A clear and coherent strategy remains the critical foundation and minimum first step for any company looking to address sustainability or any other business issue. Berkeley Group set out their strategic approach, and the philosophy underpinning it, in the case study below.



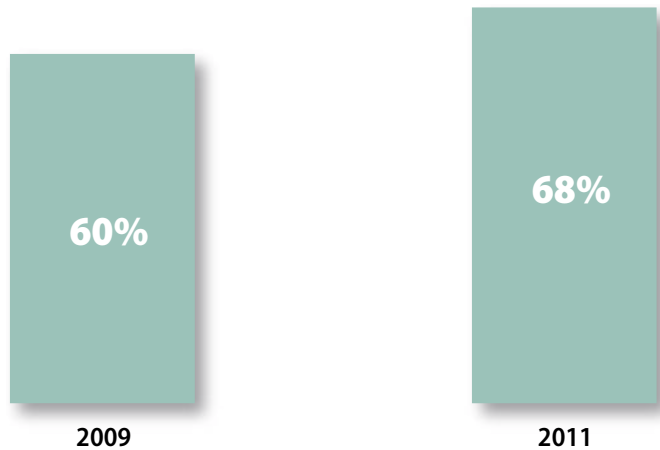
Case study Berkeley

Berkeley has long been renowned for creating homes of outstanding quality through excellence in design and a strong focus on the customer. Over the last decade we have also sought to integrate and embed sustainability into everything we do in the belief that not only is it the 'right' thing to do, but that it also adds value to our business. Looking forward, we want to position Berkeley as one of the most successful and sustainable businesses in Britain. We have therefore designed Vision2020 to move us towards this goal in a way that is clear and easy for our stakeholders to understand. It is a business strategy that continues our focus on quality, customer service and delivering financial success, whilst also having sustainability woven right through it.

We implement Vision2020 through over 40 commitments which we set on a two-year cycle. Our focus for Vision2020 in the short term will be on delivering social sustainability through new development, an area that has been increasingly overlooked by the industry as the carbon agenda has taken the headlines. We believe our long-term success depends on the prosperity of the people and the places where we operate. We therefore want to develop a coherent way of measuring and delivering the social infrastructure that makes a place sustainable.

Relative to 2009 there has been an increase in disclosure of strategies, with some companies publishing a sustainability strategy for the first time this year. Significantly, within itself, the process of gathering information to produce a sustainability strategy can be a catalyst for improving sustainability management practices, particularly for those companies who are comparatively immature in their approach to sustainability. Across the benchmark, 68% of companies now have a signed and board-approved Corporate Responsibility (CR) or sustainability policy, up from 60% in 2009, suggesting that a strategy-led approach for dealing with sustainability issues is being increasingly adopted. Almost two-thirds of companies have made their CR/sustainability policies publicly available and NextGeneration would urge other home builders to follow suit.

Figure 9 Percentage of companies with a signed CR or sustainability policy



The quality of strategies is relatively good, however a clearer diagrammatic or visual articulation of the strategy and its linkage with other policies, strategies, objectives and targets would be beneficial for all stakeholders to show how policies are implemented in practice; for example, through linking site monitoring to KPIs, targets, objectives and an overall policy commitment.

A further area for development is for companies to engage with significant stakeholders as part of their process to continually review their approach to CR/sustainability. This could be through employee engagement, seeking feedback through social media on sustainability reporting and undertaking materiality reviews with the company's key stakeholders to ensure that the strategy remains relevant in light of the company's aspirations, the regulatory context, demands from stakeholders etc.

Governance

Governance is another strong area of performance in 2011 in terms of average score, demonstrating that sustainability is firmly on the boardroom agenda.

The average score in this section is up by just over 2.5 percentage points since 2009. Overall disclosure on governance structures has increased and the quality of the information is good. However, across the benchmark companies, a stronger presence of illustrative representations of governance structures within organisations would more clearly demonstrate to stakeholders the allocation of roles and responsibilities.

The sustainability message does not always flow from the boardroom to building sites in the home building industry. While, for many companies, the strategic approach to sustainability management is sound, the full implementation of strategies, policies, objectives and targets throughout the business can be inconsistent and irregular. For example, environmental and sustainability responsibilities in many companies have yet to be enshrined in job descriptions, and this could pose a risk to sustainability management. However, within this example, 'health and safety' responsibilities are often better documented, and this therefore highlights an opportunity for the sector to use existing management structures to plainly establish sustainability responsibilities throughout the design, build and handover phases.

Redrow clearly sets out how sustainability is managed throughout its organisation, as illustrated by the following case study.



Case study Redrow

Redrow has always recognised the importance of providing clear guidance for all its staff in the course of their duties and has a strong tradition of ensuring that protocols are detailed for each activity within the business. This has become ingrained within the company and is referred to as “The Redrow Way”.

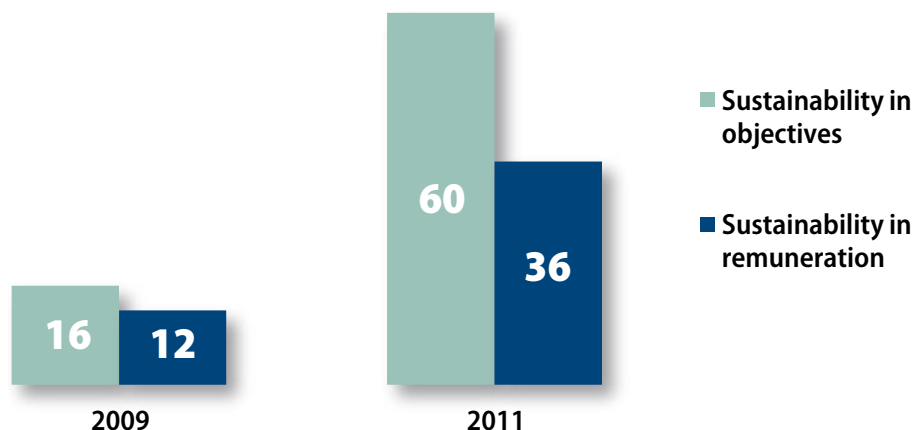
We have a well established system of written Policies and Procedures which effectively forms the spine of the business. These documents are monitored by our internal audit function for currency and are regularly updated for every discipline. Guidance extends through Company, Divisional and Departmental levels and the demands of each business process are funnelled down and subsequently reflected in individual job descriptions which clearly state expectations and responsibilities for each member of staff.

All Policies and Procedures and job descriptions are published on the Redroweb intranet system and are accessible to all staff.


The Policies and Procedures themselves are underpinned by the objectives of the business and consequently reflect our Corporate Responsibilities to all our stakeholders. This clearly includes our ethical and sustainability aspirations.

A number of companies are leading the field in the area of governance by incorporating sustainability objectives into the core business objectives of senior management and by reviewing achievements and targets within their appraisals and remuneration considerations. Performance in both of these areas has significantly improved since 2009 (see Figure 10 below). Nevertheless, the inclusion of sustainability ‘targets’ in remuneration packages remains a key area for development, particularly as there is a need to establish effecting data and reporting structures in order to confidently calculate relevant sustainability performance.

Figure 10 Percentage of companies incorporating sustainability into senior management objectives and remuneration



Willmott Dixon provides an example of how a company can align its sustainability objectives with business incentives by incorporating sustainability performance into remuneration.



**WILLMOTT DIXON
HOUSING**

Case study Willmott Dixon

Willmott Dixon has embedded sustainable development into its bonus scheme for employees.

- *In 2011 employee's bonus payments can be increased by up to 20% as a result of performance against a set of ten project sustainability indicators.*
- *The annual incentive scheme for Managing Directors is directly linked to employee bonuses and engagement.*
- *The overall bonus awarded to employees and level of satisfaction derived from an annual employee survey weight the level of payments achieved.*
- *The employee survey includes questions related to sustainable development.*

Disclosure

This section of the benchmark evaluates the quality and type of information that a company discloses. The criteria on disclosure of information are replicated in Figure 11 below:

Figure 11 Criteria on disclosure of information

-
- Company disclosure contains full and complete descriptive issue coverage (environmental, social and economic)**
-
- Company disclosure contains an explanation of the way sustainability issues have influenced the performance of the business**
-
- Company disclosure contains key performance indicators covering significant environmental, social and economic impacts**
-
- Company disclosure contains management targets covering significant environmental, social and economic impacts**
-
- Company disclosure contains performance targets covering significant environmental, social and economic impacts**
-

In comparison with the 2009 benchmark, the average score for disclosure of sustainability information is up by 4 percentage points and it is notable that a number of companies have radically improved their websites this year so as to better communicate their performance and commitment to sustainability. Interestingly, while 88% of the 25 rated companies disclose sustainability information on their websites, only around half publish a sustainability or Corporate Responsibility report online. The discipline involved in creating a sustainability report is likely to allow companies to score points against more of the criteria outlined in Figure 11 above.

Crest Nicholson and Miller Homes both have very strong sustainability disclosure. Crest Nicholson sets out why it takes this approach below.

“Crest has been reporting on its non-financial performance since 2002 and each year the breadth of information disclosed has increased. Our approach is based on listening to our stakeholders needs, defining our material issues and developing our reporting against them. We firmly believe in open communication, and our report is an honest discussion of the progress we have made, along with the challenges we face in embedding sustainability into our business. Whilst its main function is to communicate our progress, the process of reporting itself provides us with an opportunity to re-focus and drive performance improvement.”

Julia Plaskett, Group Sustainability Manager, Crest Nicholson

Miller Homes publishes in excess of 100 KPIs online which is the most comprehensive dataset disclosed by any of the home builders benchmarked. A sample of these is reproduced in figure 12 below.

Figure 12 Miller Homes’ performance reporting

miller homes		Corporate Responsibility 2010 Key Performance Indicators	
Category & KPI Measure	Unit	2009 KPI	2010 KPI
Waste			
Total number of operational sites (i.e. with construction activity)	No.	80	86
Overall Total Waste - sum of site preparation & construction process	Tonnes	88,223.4	219,600.5
Total amount of site preparation waste generated	Tonnes	74,871.0	201,891.5
Amount of site preparation waste retained/reused on site	Tonnes	22,503.0	72,223.0
Amount of site preparation waste waste disposed off-site	Tonnes	52,359.0	128,393.0
Total Waste - construction process	Tonnes	13,352.4	17,709.0
Amount of construction wastes that are recycled	Tonnes	11,139.0	16,020.0
% of construction waste recycled	%	83.4%	90.5%
Number of sites practicing on-site waste segregation	No.	36	34
% sites practicing on-site waste segregation	%	44.7%	39.1%
Amount of Inert Waste segregated into skips and recycled	Tonnes	1,004.1	1,993.8
Amount of Timber Waste segregated into skips and recycled	Tonnes	878.7	747.5
Amount of Packaging Waste segregated into skips and recycled	Tonnes	192.7	225.6
Amount of Plasterboard Waste segregated into skips (not via BG)	Tonnes	545.0	2,663.7
Total amount of plasterboard recycled by British Gypsum	Tonnes	493.1	525.3

Source: <http://www.miller.co.uk/uploads/2010crkpiswebupload.pdf>

7.3 Three key weaknesses

Risk management

This area was raised as a weakness in the 2007, 2009 and 2010 benchmarks and the low score this year (28%) highlights that it is still a subject that needs to be more robustly addressed so that environment, social and governance (ESG) risks are accorded adequate weight, alongside other risks such as financial, legal and health and safety.

Figure 13 Evolution in risk reporting



Approximately half of companies have no public information regarding these risks. Where ESG risk information is disclosed, any detailed coverage tends to be within a company's sustainability report, while in some cases a mention of ESG risks is restricted to just the annual report and accounts (or other financial reports). This is in sharp contrast to more comprehensive risk management information surrounding, for example, financial and legal risks, which are commonly disclosed in financial reporting.

Integrating ESG risks into the overall business risk management process is a clear demonstration that a company fully understands its ESG risks and the financial implications thereof, and shows that sustainability is not a peripheral issue for the business. Some of the benchmarked companies are beginning to address this and acknowledge the role that ESG risk plays in land acquisition, development control decisions, ensuring compliance with legislation and customer demand.

In order to improve performance in this area, companies must give a detailed description of their approach to risk management including both financial and ESG risks, outlining the methodology used for understanding the significance of these risks and the associated commercial implications. This should be within the risk section of the financial report.

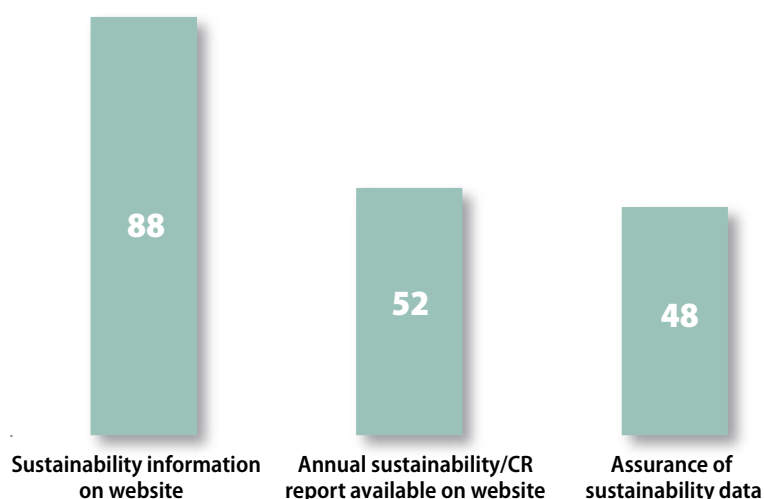
Assurance

Assurance that data and material published by a company is a true and accurate reflection of a their performance is an area of weakness in the industry. Only 48% of companies have processes in place for assuring their sustainability data, including both internal and third-party assurance. However, very few home builders make their processes publicly available so this renders them largely academic, since their audience is unaware of their existence.

Companies that do have sustainability information incorporated in their annual report and accounts have fared better in this section as the data has been reviewed by financial auditors. Other companies have disclosed some detail on assurance processes in place for specific data sets, e.g. energy data, while only one company, Barratt Developments, has a comprehensive approach to assurance which includes verification by a third party.

Clearly there are cost implications involved in gaining third-party assurance, however this should not act as a barrier to improvement in this area. Companies can disclose their internal assurance processes and innovate to provide intermediary levels of external assurance such as through obtaining advisers' statements on a limited area of data, e.g. carbon, through use of a stakeholder panel and, for those companies to which this applies, through providing more sustainability information in annual reports and accounts.

Figure 14 Percentage of companies publicly reporting on sustainability



Research

This is a new section in the 2011 benchmark. Unsurprisingly, companies have scored higher against the criteria on research into the Code for Sustainable Homes (which was examined in previous benchmarks) than they have for demonstrating research in other environmental and social and economic areas.

Despite this, very few companies have scored well for their research into the highest levels of the Code (Code 4, 5 and 6). In some cases this is due to a lack of research beyond Code level 4, but in many instances it is down to the absence of a coordinated approach to research. For example, a number of companies have considered how to achieve higher levels of the Code on single projects, but have not thought about how to capture the lessons from these projects, how to disseminate them within the company, how to build on them or how to potentially share the lessons with the wider industry. There is little indication of social and economic research such as that which might be undertaken on the relationship between population/demographic change and housing supply, the impact of housing on social cohesion, and the provision of employment opportunities during and after construction of dwellings.

NextGeneration urges home builders to work with stakeholders, such as clients, suppliers and universities, to explore opportunities to undertake more research and harness the results to improve business performance and competitiveness.

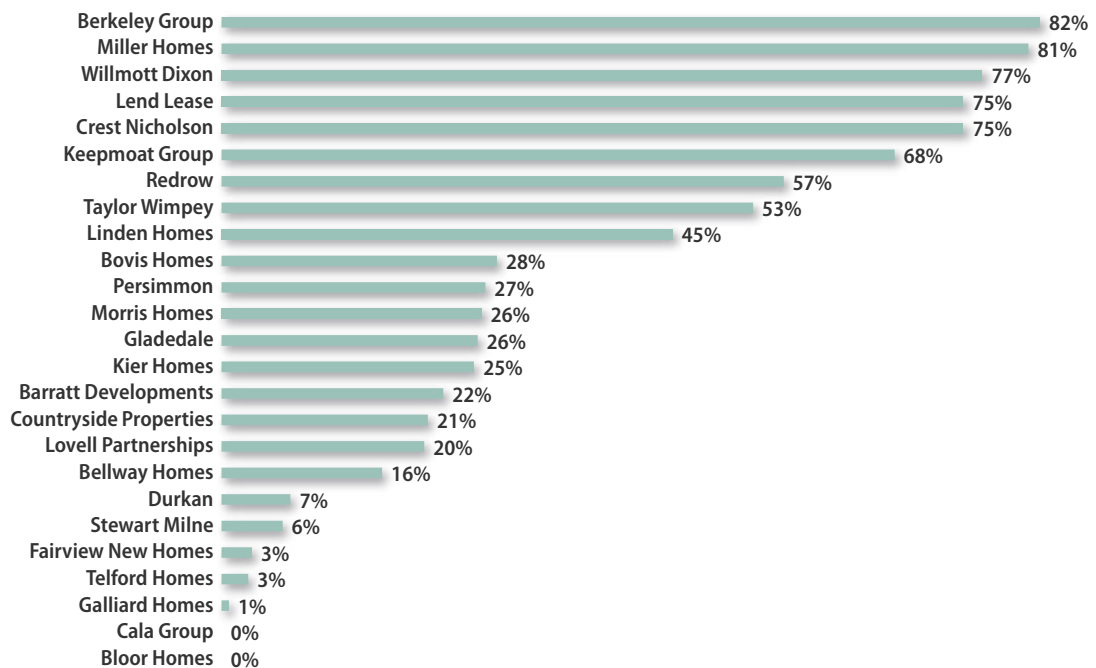


8 Environment

8.1 Overall performance

The 25 companies benchmarked achieved an average score of 32% in the evaluation of their impact on the environment – the lowest across the three benchmarking sections. Nevertheless, this is an improvement of 4% compared to 2009 and this is an area likely to improve even further as companies continue to embed their sustainability strategies, establish baselines and set and meet their performance targets.

Chart 15 Impact on the environment



More detailed analysis of some of the highest and lowest scoring sub-sections, including trend data, are drawn out in the rest of this chapter. For details on performance in other sub-sections relating to environmental impact, please visit the [NextGeneration website](#).

8.2 Three key strengths

Environmental management systems

Although only six companies (all in the 'top 10' of the overall benchmark) have a certified Environmental Management System⁶ (EMS) – that cover all aspects of a company's sustainability impacts throughout the development process – most other developers within the benchmark have a clear approach to environmental management which is typically declared within an environmental policy or statement. Many home builders have a system in place which is aligned with ISO 14001 and is either internally or externally audited – indeed two companies without ISO14001 certification had some of the most rigorous approaches to site auditing in the benchmark.

It should be emphasised that the ISO 14001 standard does not dictate absolute environmental performance requirements, but serves instead as a framework to assist companies in developing their own system. Therefore no two systems are the same, and approaches do differ. Nevertheless, a certificate publicly demonstrates that an organisation is committed to environmental management and continual improvement in its performance in this sphere. It also gives a competitive edge to the company's marketing and enhances its image in the eyes of customers, employees and shareholders, particularly when working with public sector bodies. Keepmoat Homes and Frank Haslam Milan Yorkshire (both part of the Keepmoat Group) display their EMS certificates online in order to showcase their approach to environmental management as evident in Figure 16 below.

Figure 16 Publicly disclosed ISO 14001 certificates from Keepmoat Group companies



⁶ Either certified to ISO 14001 or the Eco Management and Audit Scheme (EMAS)

Whether certified or not, the ISO 14001 framework allows companies to integrate their EMS with other management functions, and an effective system, that incorporates aggressive but achievable objectives and targets which are regularly monitored and reported, is undoubtedly a vital asset in helping to meet environmental and broader sustainability goals.

Aside from making a positive statement on environmental management, most companies are also disclosing their record on environmental (and health and safety) prosecutions, even when this includes 'bad news'. One company received an environmental prosecution during its last reporting year and disclosed this on their website, along with a description of the corrective and preventative actions put in place in response to the incident. This level of transparency is commendable and gives confidence that the management systems in place are reviewed and adjusted to improve performance.



Lend Lease

Case study Lend Lease

Our Environmental Management System:

In accordance with our Environment Policy Statement, all Lend Lease businesses operate an integrated Environment, Health and Safety Management System that ensures audits, inspections and management reviews are routinely completed to ensure environmental, health and safety performance.

Within this system, our Environmental Management System—which meets the requirements of the International Standards Organisation (ISO) 14001—provides a framework for businesses to comply with global regulatory and compliance requirements through routine environmental risk analysis. The Environmental Management System also allows our businesses to monitor and report their environmental performance against targets and objectives, including those set by our Sustainability Aspirations.


Our Environmental Management System operates at all levels of management and across Lend Lease operations globally, from environmental considerations in investment and tender decision-making to environmental performance of our projects, offices and assets.

Climate change and energy

Rising oil prices, energy supply risks and brand reputation have put climate change and energy firmly on the agenda for many home builders and in both these areas companies are performing relatively well. 56% of companies either have a dedicated climate change policy in place or are specifically addressing climate change issues within their other Corporate Responsibility/sustainability policies. This is up from 40% in 2009, demonstrating a growing strategic commitment from companies to reduce their impact on climate change.

Nevertheless, there is substantial room for improvement. The average score for the energy section has shown a decline since 2009 (from 32% to 23%) indicating the need for a renewed focus on these topics in order to improve future performance. Some of this 'falling off' can be explained by changes in the benchmark participants (and membership) and some by the way in which targets and performance are reported, as explained below.

It is also encouraging to see that 14 companies have either qualitative or quantitative operational energy performance targets, compared to 9 companies in 2009. Of these, 13 have set quantitative performance targets that are focused on stabilising or reducing their operational energy consumption, while one home builder (see case study below) has set a target to be carbon neutral by 2012.



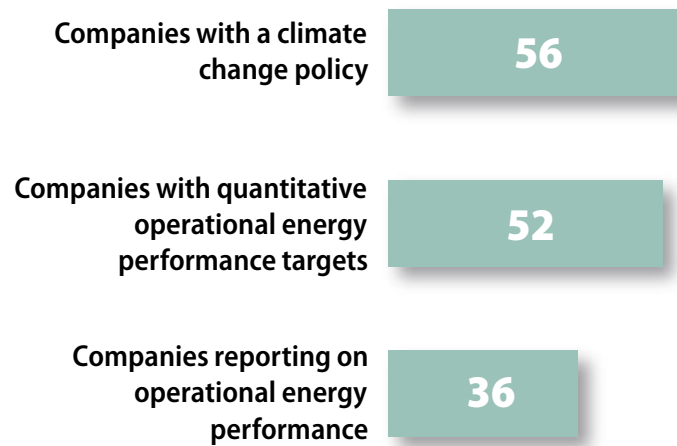
**WILLMOTT DIXON
HOUSING**

Case study Willmott Dixon

Willmott Dixon: A clear commitment to climate change

We are committed to being carbon neutral by 2012 for the direct emissions that we generate through our transport, offices and construction processes.

Figure 17 Percentage of companies with climate change policy, performance targets and disclosing performance



Although a greater number of companies are now committing to energy performance targets, the disclosure of actual performance against these targets is still relatively weak, with just over a third of developers currently report on their performance. Moreover, there continues to be a lack of consistency across performance goals set by companies and in the way that they are reported, thereby making viable comparisons difficult. For example, while some home builders set annual reduction targets for energy consumption or carbon emissions, others set them over multiple years. The same applies to the disclosure of performance, making it hard to estimate average reductions in energy consumption across the group.

Many leading companies now assess the total impact of their business and include both office and site consumption in their performance targets. The case study from Crest Nicholson (below) highlights their approach.



Case study Crest Nicholson

In 2008 Crest Nicholson developed a new and more comprehensive Climate Change Policy, strategy and targets. As our work progressed, and the Government's 2016 Zero Carbon housing targets began to take shape, we decided it was essential to look more quantitatively at our carbon emissions in the round. Using our own data and taking knowledge from our participation in the Zero Carbon Hub Workgroups (Customer Engagement, FEES, Carbon Compliance and latterly Allowable Solutions), we worked with our strategic energy advisors to develop a much more quantitative view of the carbon emissions associated not only with our operations and build processes, but with our product in use and those associated with the lifestyle of the homeowners. We have published this work in successive sustainability reports, most recently http://www.crestnicholson.com/assets/documents/aboutus/reports/SustainabilityReport_2010.pdf pg.41-42

Using this work, we are finalising a set of quantitative and qualitative targets, including further research, to ensure that we not only reduce the direct carbon emissions from our operations over which we have greater levels of control, but also address the performance of our product and the design and communication steps needed to ensure homeowners can realise the carbon emission savings in practice.

Construction waste

The average score across all companies benchmarked was 42% in 2011 which compares to the 39% achieved in this section in 2009; it should be noted however that five companies did not provide any information which brings this average down. Out of all 25 companies:

- 14 have targets in place to reduce the volumes of construction waste that they produce;
- 13⁷ are signed up to the Waste & Resources Action Programme (WRAP) and the 'halving waste to landfill commitment'⁸; and
- 10 have quantitative targets in place for the 2011 reporting year and a further 6 are signatories to the WRAP commitment, which implies that a quantitative target exists for 2012.
- All benchmark members produce reports on waste data for 100% of their sites, on the basis that many of their sites have a requirement for a site waste management plans and that waste reporting requirements (whether by the company or its contractor) therefore apply to all sites. It is assumed that this logic applies for all 25 benchmarked companies.

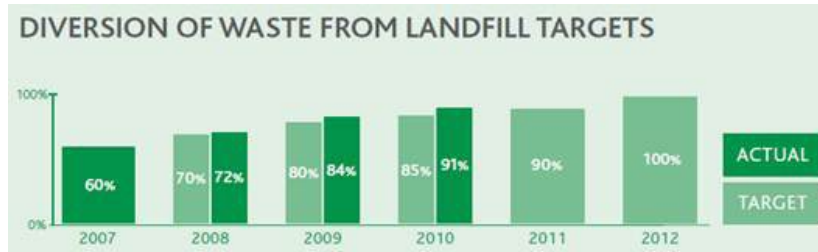
There are numerous examples of good practice and Willmott Dixon and Miller Homes have particularly strong approaches.

⁷ Data from http://www.wrap.org.uk/construction/halving_waste_to_landfill/wall_of_fame_listing.html

⁸ Part of the government's Waste Strategy and Strategy for Sustainable Construction, which set a target to halve the amount of construction waste sent to landfill by 2012, based on 2008 levels.

Willmott Dixon has a commitment to send zero waste to landfill by the end of 2012 as illustrated on Figure 18 below. They state that “In 2010 we diverted 91% of waste from landfill, ahead of our target for the period of 85%, and made savings of £2.3m in disposal costs, landfill tax and value of wasted material.”

Figure 18 Construction waste data from Willmott Dixon



Notes: Graph provided by Willmott Dixon.

Diversion from landfill performance has improved from 60% in 2007 to over 94% in the nine months to September 2011.

Miller Homes has a focus on working with its supply chain to reduce construction waste and actively sources materials with recycled content. Miller Homes is currently working with WRAP and its suppliers on a strategy to improve performance in this area.

The results from this section therefore indicate good performance against the existing criterion and NextGeneration is encouraged by the mature approach to this particular issue. However, this sub-section of the benchmark was difficult to assess in terms of ‘best practice’ for a number of reasons:

1. Some companies do not set annual targets; instead their objectives are to meet goals in two or more years hence.
2. Different companies use varying definitions of waste. For example, some companies include excavation and demolition waste in their performance data, while others exclude it.
3. The NextGeneration criteria award points for quantitative targets for waste reduction. While this is a robust approach, companies that have a mature approach to waste management have reached a point where very high percentage year-on-year reductions are becoming more challenging to achieve. A shift in mentality, whereby waste is seen as a resource, is therefore required to achieve the very lowest levels of waste generation.
4. This section needs to be better aligned with the sustainable procurement section of the benchmark.

These factors, coupled with a desire to reflect the waste hierarchy and to look beyond the 2012 ‘halving waste to landfill commitment’, led to NextGeneration hosting a construction waste workshop in September 2011. The workshop was facilitated by WRAP and the National Industrial Symbiosis Programme (NISP) with input from CL:AIRE (Contaminated Land: Applications in Real Environments) to brainstorm this area of the benchmark and to start development of a set of best practice construction waste criteria which will be finalised in time for inclusion in the 2012 benchmark.

With construction waste being such a high environmental impact area, as well as a high financial risk for companies without a strategy to minimise waste generation (due to landfill tax), we would encourage those home builders, who are not already doing so, to begin collating operational data, setting targets and reporting transparently. Taylor Wimpey’s case study (see overleaf) sets out the approach that they employ to manage this area of their business.

Taylor Wimpey consider all materials generated during the life cycle of the house building business; including demolition materials, soils from earthworks and excavation, and construction phase residues; to be resources. Only when their value has been properly considered but discounted will they then be considered as wastes.

Our approach to resource management is based on good business practice and the following hierarchy:

- *Prevention or minimisation of waste through design*
- *Maximisation of on-site recovery (reuse and recycling or treatment)*
- *Careful consideration of the options when there are materials surplus to a site's needs or if there is a materials shortfall*
- *Minimisation of disposal to landfill*

We measure, monitor and report annually on progress on resource efficiency, and are committed to continual improvement. We have set up a responsibility agreement with our suppliers that communicates our priorities and seeks to increase resource efficiency in the supply chain by reducing waste through design, good site practice and minimisation of packaging materials. We will continue to train or inform our employees, contractors and suppliers about waste management and resource efficiency issues. We work closely with WRAP (Waste and Resources Action Programme) and are a signatory to the half waste to landfill commitment. Management teams bonus scheme has an element relating to construction waste efficiency improvements. We will soon publish a bespoke UK policy on waste and resources management.

Our next priority is to look more closely at soil, with a commitment to measure soil to landfill in 2012 and put a soil to landfill target in place in 2013.

8.3 Three key weaknesses

Commitment to sustainable building standards

The top 25 companies scored an average of 10% in this section compared to 16% in 2009 and 8% in 2010. This average has been brought down considerably due to 15 companies not scoring in this section as they did not publicly provide information on the number of homes built to the Code for Sustainable Homes. Only Crest Nicholson has provided statistics on the number of private and affordable dwellings built to EcoHomes or the Code for Sustainable Homes standards in their public reporting.

The total number of dwellings (split into private and affordable) built to the various standards by those companies providing data in this benchmark is presented in Figure 19 alongside the 2010/11 data for the industry total as provided by the Department for Communities and Local Government (DCLG)⁹. The data reveals that companies in the NextGeneration benchmark have built 86% of private Code units and 31% of the affordable Code units. Although the current economic position has seen an overall decrease in the number of homes being built, performance in this area is based on the percentage of homes built to the Code for Sustainable Homes.

⁹ <http://www.communities.gov.uk/publications/corporate/statistics/codesustainablesapq22011>

Figure 19 EcoHomes and code for sustainable homes units completed

	Private Homes		Affordable Homes	
	NextGeneration data	DCLG Data	NextGeneration data	DCLG Data
No rating	6748	N/A	1417	N/A
Ecohomes VG	1129	N/A	1579	N/A
EcoHomes excellent	537	N/A	106	N/A
Code 1	32	24	-	30
Code 3	1269	2241	4033	15967
Code 4	188	335	1240	1244
Code 5	1	33	52	29
Code 6	1	4	10	20
Total (Code)	2028	2637	5335	17290

Notes: The datasets have been used to illustrate the data provided to NextGeneration and DCLG. They may not refer to precisely the same time period.

The most notable observation from the data is that relatively few units have been built to higher levels of the Code for sustainable homes (i.e. beyond the energy requirements of current Building Regulations which are equivalent to Code for Sustainable Homes Level 3), both according to data from participants in the benchmark and to DCLG statistics. This indicates a reticence to build more sustainable homes and could be due to the following factors:

- Lack of finance for developers to build new sustainable homes.
- Lack of finance for buyers to buy a new sustainable home.
- Lack of preferential finance deals for purchasing a new sustainable home, e.g. lower mortgage rates.
- Unknown consumer demand for sustainable homes.
- Uncertainty regarding the definition of zero carbon.
- Insufficient data on the performance of dwellings in use.
- Cautious development strategies and completion of sites with existing planning consents.
- Impact of economic viability of projects, particularly in areas outside of the South East of England where there have been significant house price decreases.

Some of these points are discussed in greater detail in section 11 of this report.

Ecology

Although over 70% of companies in the benchmark have a stated policy and commitment (albeit at widely varying levels) to protect the loss of biodiversity and the local ecology, the general level of demonstrable performance has been poor with the 'all company' average sitting at just 31%. In a number of cases there is no reference to the term 'biodiversity' within websites, policies or statements, but a pledge to respect 'local ecology', and in a few cases, 'biodiversity' and 'ecology' have been translated to terms such 'local habitats' and 'flora and fauna', which may be deliberately phrased language for a broader audience.

Whatever the terminology, it is a concern that the words are not generally being reflected in actions. Less than a third of companies on the benchmark could demonstrate that the recommendations of studies, planning requirements and corporate commitments are being fed into project design and delivered on site. Most house builders could show that ecology and

biodiversity are considered at the design and planning stage, but few could provide evidence that recommendations from ecologist reports are incorporated into the design and describe how ecology is managed on site. Furthermore, companies are not capturing the aggregated lessons and insights on ecology issues and are dealing with the issue on a strictly 'site by site' basis.

There is certainly a volume of central and local government policy and guidance on ecology and biodiversity, together with potential new initiatives (such as DEFRA's 'biodiversity offsetting' proposals as introduced in the Natural Environment White Paper¹⁰), which should stimulate greater performance in this area. For further advice and support, there is also a myriad of closely-interested stakeholders from government agencies and departments, local bodies, specialist advisers, and conservation and protection-oriented charities, all keen to play their part.

So there is a strong case, as well as plentiful support, for elevating biodiversity and ecology on the developer's sustainability agenda. As mainstream consciousness grows on all matters 'environmental' and 'natural', particularly through local ecology stories that are picked up and amplified by the media, then the groundswell of opinion will inevitably prove irresistible and affect the whole of the construction industry. A robust ecology policy and rigorous biodiversity plans and actions, will therefore prove to be essential for good PR and business development, as well as enabling a business to be forearmed for new environmental or planning legislation that is potentially never far away.

Domestic waste

In contrast to construction waste, domestic waste remains one of the weaker areas of performance across the 25 companies in the benchmark, although there has been an improvement since 2009. This section includes providing residents with recycling facilities as well as information on how to use these facilities and how to help ensure that long-term domestic waste is minimised during the lifecycle of a home.

While many companies can provide specific examples of developments where recycling facilities have been provided within dwellings, only the leading companies (just under 25%) in this section actually report on the percentage of dwellings in which they place recycling facilities. From those that do report this information, the figure is high at around 80% of dwellings, indicating that residents increasingly have access to recycling facilities.

In terms of providing information to encourage residents to use recycling facilities, 10 companies currently provide purchasers with some form of information on local recycling facilities, up from just 6 in 2009.

Figure 20 Number of companies providing residents with information on recycling facilities and reporting on performance



Home builders are urged to consider domestic waste management in their overall approaches to waste management and procurement and thereby improve the sustainability legacy of their dwellings.

¹⁰The natural choice: securing the value of nature, HMSO, 7 June 2011

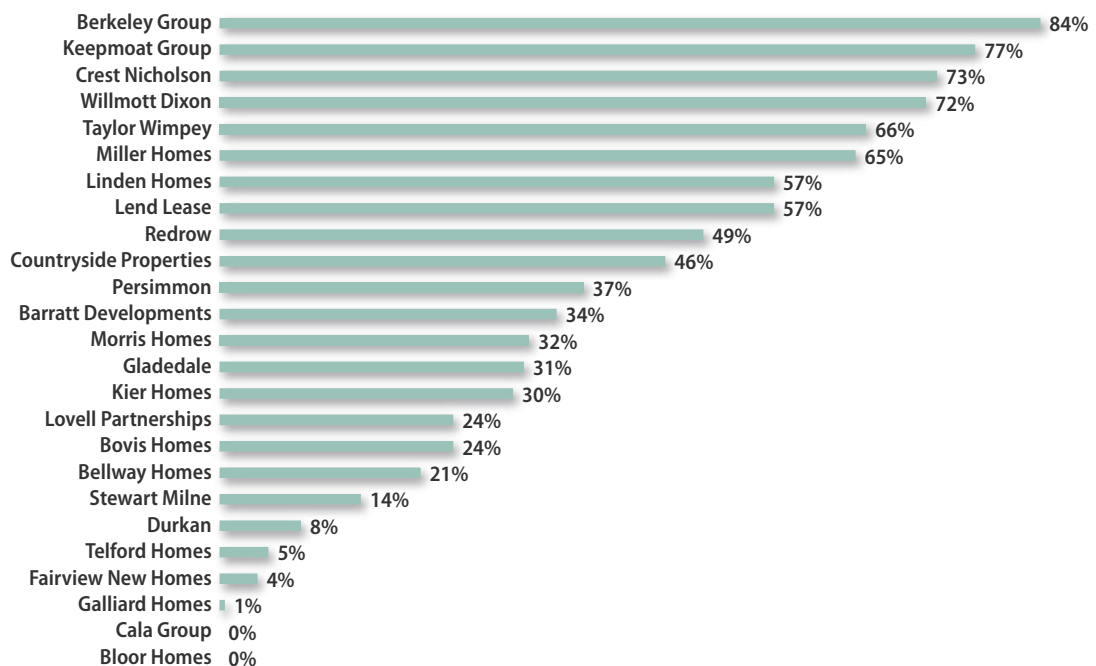


9 Economy and Society

9.1 Overall performance

The 25 companies benchmarked achieved an average score of 35% in the evaluation of their impact on the economy and society.

Chart 21 Impact on society



This compares to a score of 31% in 2010, which is the most comparable benchmark year for this section. However, it must be stressed that this section is not identical to that included in the 2010 benchmark (e.g. 2010 did not examine health and safety) and therefore any comparison between the two years is indicative. A more detailed analysis of some of the highest and lowest scoring sub-sections, including trend data and robust comparisons for specific sub-sections, is drawn out in the remainder of this chapter. For details on performance in other sub-sections relating to economic and social impact, please visit the [NextGeneration website](#).

9.2 Three key strengths

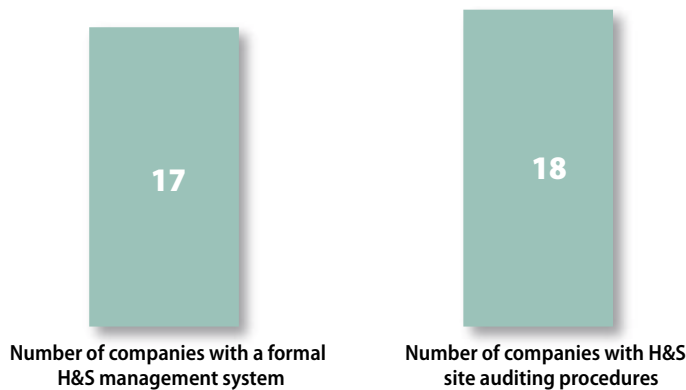
Health and safety

Health and safety (H&S) is a high scoring area and the average score in this sub-section of the benchmark has increased over the last two years. This reflects the fact that health and safety is a well-established area of sustainability management and one that is closely tied to compliance with legislation.

Transparency surrounding H&S management is increasing with most companies disclosing data, including their record on related prosecutions, viewing this as a positive statement to communicate to stakeholders.

Three of the top ten companies in the benchmark, and six overall, have a certified (OHSAS 18001) H&S management system in place; these are Barratt Developments, Countryside Properties, Keepmoat Group, Kier Homes, Miller Homes and Persimmon. Another 10 home builders have a non-certified formal H&S management system while 16 have a formal H&S policy.

Figure 22 Number of companies with a certified H&S management system and site auditing procedures



A thorough site auditing process, either through internal or external audits, is crucial for ensuring that the system procedures are implemented on the ground; 18 companies have such site auditing procedures in place including Willmott Dixon as set out in the case study below.



Case study Willmott Dixon

John Frankiewicz, CEO of Willmott Dixon Capital Works, is the Holdings Board Director responsible for Health, Safety and Environment, with the independent self-regulating Health, Safety and Environmental Inspection team now reporting to him.

Health and Safety Managers also operate from each Local Construction Office. This gives us a two-tier inspection regime with clear independent authority coming from Willmott Dixon Holdings.

It is also set out in our Health and Safety Policy and procedures that our Managing Directors and Chief Executives must conduct regular inspections on our sites which keeps our senior management connected with our day to day operations.

Points in this section are awarded for a company's RIDDOR¹¹ incident rate and related targets, e.g. reduction on previous year's rate and performance in relation to the industry average. RIDDOR rates varied from 3.8 to 9.6 for the nine companies providing this data. There are a wide variety of approaches in terms of reporting H&S data and targets and a number of metrics are used, e.g. RIDDOR rates, AFR – accident frequency rate and AIR – accident incident rate. Home builders are encouraged to clearly set out their H&S data alongside other sustainability data in their public reporting in order to help stakeholders compare companies with regards to their health and safety track record.

This is another section of the benchmark that will be subject to a detailed review to ensure that the 2012 criteria we set are both current and challenging. In particular, as companies achieve progressively lower and lower incident rates, there is a need to move towards better standardisation of data reporting, clearer definitions of 'incidents' and greater transparency in reporting.

Considerate construction

'Considerate construction' initiatives continue to be robustly supported by companies within the benchmark. In this year's benchmark, the number of developers 'seen' to be in the industry's Considerate Constructors Scheme (CCS) or with a self-developed initiative, stands at 16 and, of those, 8 have all of their development sites registered or participating within a scheme; this compares with 7 companies in the 2010 benchmark. Encouragingly, the average percentage of sites registered in the scheme by CCS participants has risen from 44% in 2010 to 76% in 2011.

Meanwhile, the 'declared' average CCS score for each participant has risen from 32.5 to 33.5; although not a significant increase, this is still a healthy figure. All but one of this year's averages fell in a spectrum of scores ranging from 32.1–35.5 compared to 31.0–35.0 for the 2010 benchmark; so a level of high consistency has been maintained. To elevate these averages further is a 'tall order' as further points are only awarded where companies "demonstrate working practices or activities that can be considered exceptional and unique".

CCS participants within the benchmark who have been 'open' with their site registration levels or scores – and a number have not – are commended. It is indicative of both a real commitment to the initiative and, by revealing numbers, of an ongoing desire to improve performance. It should also be stressed that, of the remaining nine companies who have not made public their CCS statistics, most have had some participation in CCS but on an 'appropriate' site basis, often where planning conditions or clients dictate.

¹¹Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

Lend Lease derives great value from CCS as the case study (below) highlights.



Case study Lend Lease

Lend Lease

Lend Lease have registered our projects with the Considerate Constructors Scheme since it started in 1997, and in 2003 were invited to become one of the founding Associate members. In 2007, we were proud to be named as their "Most Considerate Constructor of the Decade" at a special event held to mark the first 10 years operation of the scheme. This was in recognition of our widespread adoption of the scheme and the consistent level of performance achieved on our sites.

All of our projects register with the scheme and are independently assessed by the scheme monitors for compliance with their eight point code of practice. We believe this is a valuable third party verification of our work and the results contribute towards achievement of Green Building certifications such as BREEAM and the Code for Sustainable Homes.

As a business, we always endeavour to minimise the impact on local people and the environment. We believe the approach we take is essential to successful delivery of our projects, and is as important as being on time, on budget and delivering safely with no accidents or incidents.

Managing the expectations of our stakeholders and responding to their concerns, as well as ensuring we provide a high standard of welfare facilities for construction workers not only helps ensure smooth, safe and timely delivery, but contributes towards the scheme's objective of improving the image of the industry.

We continue to work closely with the Considerate Constructors Scheme to develop their Code of Practice further and improve engagement with the whole supply chain.

It is also notable that CCS is not the only 'considerate construction' scheme and self-developed initiatives (as mentioned previously), in particular Miller Homes' Miller Respect' (see case study below) provide a valid alternative and are recognised under the Code for Sustainable Homes guidance.



Case study Miller Homes

From Miller Homes 2011 Corporate Responsibility Strategy report: Consideration Construction

The company introduced Miller Respect in 2007 and this will continue to be utilised by all sites as a vehicle for ensuring that we are sensitive and responsive to the concerns of our neighbours, local communities and the local environment. We deem this to be a more demanding and onerous regime than the Considerate Constructors' Scheme, hence our decision not to move to this unless there is an obligation placed upon us by planning authorities or from Code-compliant sites in which case will sign up to CCS but maintain Miller Respect as well.

Site managers will continue to receive 'on the job' training from the Divisional SH&E managers on how to improve overall performance under Miller Respect and CCS. Close out meetings will be held between the central SH&E team and regional production teams after all audit results have been received to deal with identified areas of interest or concern.

Six-monthly Miller Respect audits will be undertaken by the SHE team who operate independently from the regional businesses and the results of these, along with the number of complaints, will be tracked within the KPI reporting process. Where required, we do fully comply with the requirements of the Considerate Constructors Scheme and we will continue to disclose the scores we receive from external audits.

Home builders are urged to ensure that the Considerate Constructors' Scheme continues to meet their needs and that it adequately links to their sustainability strategies and aspirations. Where this is not the case, it may be necessary to address the weaknesses of the scheme through other site auditing approaches.

Customer engagement

The average score in this section is 47% which is an increase in 5% against the 2010 score (from the Sustainable Communities benchmark, where identical criteria were used). In customer engagement, companies score most of their points for performance (data on customer feedback) with 12 of the companies in the benchmark disclosing their customer feedback scores publicly. To score points against the relevant criterion, any feedback must be assessed by a third party and, for this, most companies use the Home Builders Federation Survey. Miller Homes has been providing this data for some years and the case study (below) sets out its approach in more detail.



Case study Miller Homes

Miller was the first developer to publicly disclose its customer satisfaction survey results in 2005 and these continue to improve year on year. Our 'recommend' score, i.e. where homeowners would recommend Miller Homes to their best friend was 96.5% in 2010. It is imperative that we continue to delight our customers after occupation, and that is why we have prescribed established procedures for contractors where they are carrying out maintenance work in completed homes. We also give all customers access to the mymillerstreet.co.uk website which was designed to help build new communities and promote ways in which people can share information with other residents, find out about local amenities and improve their environmental footprint. This is all part of our commitment to develop sustainable communities.

Scores on the approach to customer engagement (including approaches to quality and customer service) and provision of sustainability information to potential buyers and to actual purchasers during the handover process, have both improved, but there is still room for improvement; for example, customer charters and/or the Consumer Code for Home Builders should be made available, where requested, in alternative formats such as braille.

It is also clear that more could be done by home builders to sell the benefits of sustainability and to make this a positive feature of their marketing campaigns for all developments; e.g.:

- showing proximity of homes to public transport nodes;
- providing information on how home owners can live a sustainable lifestyle;
- demonstrating the benefits of sustainable homes in terms of energy savings in financial terms, as well as other benefits; and
- where relevant, proving how sustainable features could enhance the value of dwellings now or in the future.

The following case study from the Berkeley Group highlights one of the better marketing initiatives among the benchmark members.



Case study Berkeley Group

Our website has an interactive house which provides tips to customers on how they can live more sustainably in their home.

Handover packs are given to all residents, which feature information on sustainability, including tips on features in the home, green transport, and community facilities in the area.

9.3 Three key weaknesses

Stakeholder engagement on projects

The average score for this section of the benchmark remains at 35% this year, exactly the same as in 2010. Of all the companies in the benchmark, Taylor Wimpey is the only home builder with a comprehensive approach in this area.

Very few companies could provide an example of in-depth engagement with a non-governmental organisation with the aim of achieving best practice in at least one element of socio-economic sustainability. Going forward, home builders are therefore encouraged to collaborate with external bodies in order to develop their approaches to stakeholder engagement.

While there are some excellent examples of community engagement, with 13 companies providing one example of best practice stakeholder engagement – such as ‘Planning for Real’, design workshops or community planning forums – only 8 of these (and 10 companies overall) have guidelines or procedures for community engagement that are used on all projects and which make reference to good and best practice standards. This disjointed approach is unlikely to allow a company to reap the full across-the-board benefits of stakeholder engagement and is also an area of risk for businesses as we enter into a new planning regime and face the advent of localism.

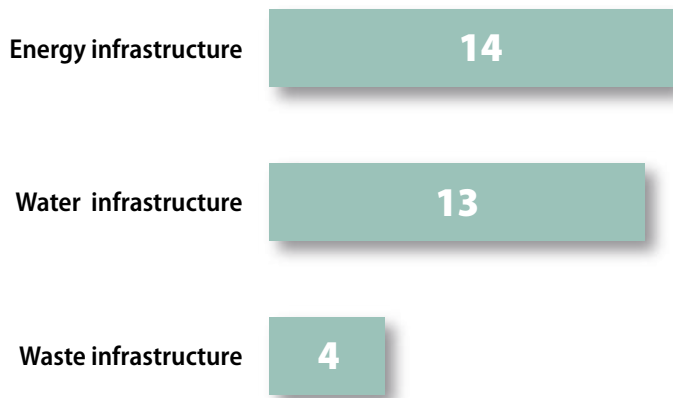
The role of social media in providing ways for stakeholders to make comments on planning applications and for residents to engage on community topics is also one that has yet to be fully explored by the industry. One company taking a lead in this area is Taylor Wimpey, who are developing a website on localism and this is discussed in the trends section of the report (section 10.1).

Environmental infrastructure

Delivering community-level energy, waste and water infrastructure is an emerging area that was introduced in the 2010 NextGeneration benchmark. The 2011 results show that it continues to be a matter that relatively few companies are actively addressing.

Just nine home builders in 2011 stated some form of commitment to exploring the viability of environmental infrastructure in their developments and to installing it where possible. Nevertheless, despite the lack of explicit commitments, a number of companies did provide practical examples of delivering community-level infrastructure projects. 64% of companies have been able to provide at least one example of delivering energy, water or waste infrastructure in 2011, a significant increase from 48% in 2010. As noted last year, waste remains the most challenging area, with only 4 companies providing examples in comparison to 14 for energy and 13 for water infrastructure. The definition of ‘zero carbon’ will provide further clarity to the industry on the potential for greater community infrastructure in UK housing developments.

Figure 23 Number of companies with examples of implementing environmental infrastructure



Post-occupancy evaluation

To ensure that sustainable outcomes are being achieved and that improvements in sustainable home building are continually being made, evaluating the success of sustainability measures incorporated into a development is critical. This is an area in which only a minority of home builders (10 in 2011 compared to 13 in 2010) are beginning to undertake studies and therefore, in general, it remains an untapped source of valuable data that could be used to refine products, increase profits and enhance communities.

Post-occupancy evaluation (POE) studies that have been carried out to date, and those that are underway, are mostly focused on environmental sustainability (energy and transport in particular) rather than sustainable communities. Many of these studies are pilots or have been undertaken on a small scale and the results, or a summary thereof, are often not disclosed publicly.

Many companies still confuse POE with customer feedback or satisfaction analysis. While there may be some coverage of sustainability in customer feedback questionnaires, most of this is dedicated to understanding the customer satisfaction with the sales and handover process and does not determine the performance of sustainability features of a dwelling/development, beyond an initial indication of whether the occupant understands how to use any sustainability features.

Clearly there is an opportunity to improve performance in this area and the results from past and current studies should be used to inform the industry as a whole. Home builders should capitalise on technology and social media in order to harness the information from the 'in use' phase of their products and to overcome certain barriers to projects, such as the invasiveness of studies and the long-term engagement needed with owners/tenants. The sale of freeholds and the long-term nature of the property cycle still make POE a challenging exercise but the benefits of such insight into the performance of a dwelling/community should justify any investment in this area. Perhaps, as a start, the industry should aim to work together to sample a percentage of new homes in order to draw out trend data for different house types, different microclimates and different types of tenancy from across the country.



10 Three Key Trends

10.1 Deciphering UK sustainable development policy

The proposed National Planning Policy Framework, which aims to make the planning system less complex and promote sustainable growth, is seeking to integrate the three pillars of sustainability – social, environmental and economic – stating that:

“These three components should be pursued in an integrated way, looking for solutions which deliver multiple goals.”

This is a promising commitment. However, the detail of how this will be achieved will need to be worked out by both home builders and the stakeholders that they work with to deliver new homes.

Taking the area of environmental sustainability as an example; the detail of ‘Zero Carbon’ is yet to be published; there have been reductions to Feed-in Tariff rates which have now reduced the incentive for home builders to install renewable energy; there are continuing discussions about how the ‘Green Deal’ might work and if it could be applied to ‘new build’ housing to help improve economic viability of schemes; and there have wider debates about energy supply and security in the UK. This is providing a challenging climate for decision makers in the home building industry, as well as for investors keen to minimise risk and for a range of other stakeholders – such as consumers who want to ensure the ongoing marketability of their homes.

The introduction of localism presents a new demand for the home building industry as there is a lack of understanding of what it involves, resulting in uncertainty on the potential challenges and opportunities that this new legislation might bring. However none of this is an excuse for inaction and all home builders must work to ensure a consistent approach to community engagement on all developments that includes local stakeholders in the planning and designing of their communities. Taylor Wimpey’s approach, as set out in the case study and image below, is good and other home builders are encouraged to follow their lead.

We anticipate that the UK Government's planned Localism Bill will be extremely significant for housebuilders. The Bill is intended to give greater powers and influence to local government, communities and individuals in relation to planning decisions. We believe it will therefore become essential that housebuilders listen to the opinions and concerns of their stakeholders and work in genuine partnership with them to jointly shape development plans.

In 2011, we developed a comprehensive Community Led Planning Strategy to respond to the requirements of the Localism Bill. As part of this process, we set up working groups and undertook research to better understand the needs and views of members of local communities. We then introduced an in-depth training programme to help all of our relevant employees to further develop listening, communication and engagement skills. At the same time, we have been focusing on making our community consultation and engagement process increasingly transparent, accessible and consistent across our business and the development lifetime of our schemes. We have also launched About Taylor Wimpey, a new website - <http://about.taylorwimpey.co.uk> - that provides extensive information for local government and local communities on our company, our approach and our experience.

We are involving everyone across our UK business in our Community Led Planning process. Overall, our aim is to be an organisation that listens, responds and ultimately delivers local requirements in the most appropriate way.

It is imperative that the Government, industry and other stakeholders continue to collaborate to resolve any policy conflicts and confusion to ensure that sustainable development is practically achievable from this point onwards.

10.2 Reporting, openness and transparency

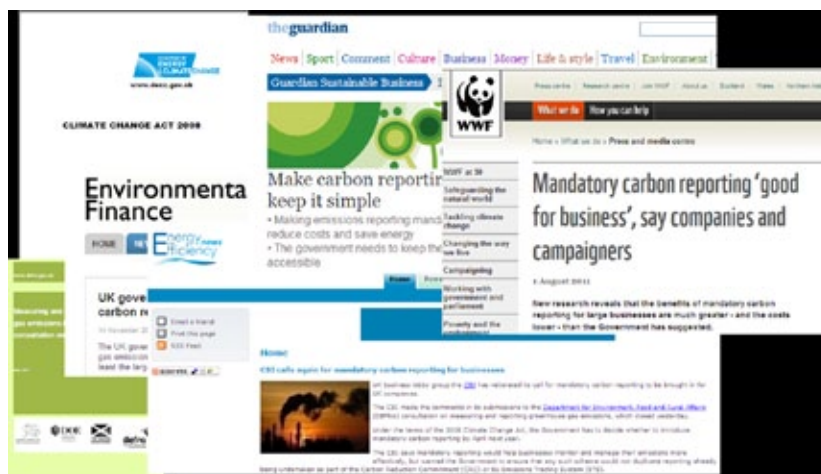
Sustainability reporting is an area that is changing, mainly in response to a desire from established 'reporters' to avoid a repetition of information year on year. Moreover, reports are often lengthy; not targeted at a particular audience; not current enough for those who expect real time information; and ineffective at engaging/influencing stakeholder behaviour. A trend is emerging whereby some companies focus on key performance data and achievements for the year in question in a short report and then supplement this with greater information on their website. Nevertheless, there is nervousness in the industry regarding a pioneering approach to sustainability communications, such as using social media, since companies are unsure as to how stakeholders, particularly Socially Responsible Investment (SRI) analysts and investors, might react if they do not produce a traditional sustainability report. There is also a shift towards greater consistency in sustainability reporting, especially given the arrival of Global Reporting Initiative's Construction and Real Estate Sector guidelines (GRI CRESS) and the Government's consultation during 2011 on the Companies Act which includes possible mandatory reporting on sustainability issues. Figure 24 gives an overview of GRI CRESS.

Figure 24 Global Reporting Initiative (GRI) overview



In addition to voluntary reporting, there is increasing evidence that carbon reporting will also become mandatory under the Climate Change Act 2008 (see Figure 25). Companies should note this development, as well as the support for mandatory reporting voiced by bodies such as the Confederation of British Industry (CBI), and be mindful of this as they progress their approaches to sustainability management and reporting.

Figure 25 Selection of press coverage regarding reporting, openness and transparency



Reporting, openness and transparency is an ongoing challenge in light of the trends stated previously. In order to address the challenges and opportunities, the home building industry and others undertaking sustainability reporting should consider some key questions:

- how could sustainability communications evolve to meet the needs of different audiences in 5-10 years time?
- could individual developments provide better sustainability communication channels than broader company organisations?
- how can a company ensure that its sustainability messages are reflected and embedded in all corporate communication channels (e.g. CEO speeches, press releases, financial reporting)?

10.3 Social and economic sustainability

The economic uncertainty in the UK and the impact that the ailing economy is having on jobs and income means that social and economic sustainability must underpin the UK's approach to home building. Nevertheless, the zero carbon debate continues to dominate the sustainable home building agenda and it is imperative that social and economic sustainability does not get lost in this debate.

In order to successfully address social and economic sustainability, home builders need to take a holistic and multi-disciplinary approach to the planning and execution of their projects and Government and other actors must provide clear incentives to deliver genuinely sustainable communities.

One key area for action is boosting the local economy in the vicinity of a development. Home builders must continue to work with the relevant agencies to provide jobs and skills to the local community during construction. Many participants in the benchmark have a strong approach in this area, but it is also important to 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. For this to work well, this requires a multi-stakeholder approach and clear guidance from Government.

Home builders and other stakeholders also need to consider the product that they build as having a key impact on an occupant's life in many respects e.g. impact on wellbeing, health, connectivity and security. There are some areas of good practice, but often only on certain developments as opposed to across all sites and there is still a fairly low uptake of improved design standards, such as, Lifetime Homes, Secured by Design and the Building for Life standard. Government needs to set out its expectations of the industry in delivering to such standards in order to enhance their uptake.

Industry itself can play its part in understanding whether it is providing homes and communities that are fit for purpose. Post occupancy evaluation is a vital component in gaining this knowledge and if applied well could ensure that home building is on the right track. It would be sad if the rush to build using standards such as the Code for Sustainable Homes led to unintended consequences such as dwellings that overheat in summer or poor indoor air quality. Likewise it would be a waste to build community facilities that lay dormant.

Responding to social and economic sustainability is a shared endeavour and one that requires co-operation and long term commitment from all actors involved in creating sustainable communities.



11 Conclusions

11.1 Overall sector performance

Four companies have emerged as overall leaders in this year's benchmark – Berkeley Group, Crest Nicholson, Willmott Dixon (second) and Miller Homes (third). Lend Lease and Keepmoat Group performed encouragingly against the 2011 criteria and complete the top five positions.

Berkeley Group and Crest Nicholson were the top two performers in terms of their public disclosure on sustainability and they are both commended for the engaging web and report content that they publish on this theme. Further down the benchmark the level of disclosure is varied and some of the better-performing companies, such as Willmott Dixon and Keepmoat Group, are urged to improve this area of their sustainability management going forward.

The bottom five (20%) of the sample of home builders assessed, scored few or no points against 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 sustainability.

11.2 Sector strengths and weaknesses

The key strengths that have emerged within the sector in delivering sustainable development are:

Strategy	Environmental Management Systems	Health and Safety management
Governance	Climate change and energy	Considerate construction
Disclosure	Construction waste management	Customer engagement

Notably, there is still room for improvement in all of these areas, particularly in ensuring a consistency of approach across all operations and in improving data collection, verification and reporting. Other areas for improvement, as highlighted in the ‘weakness’ sections throughout this report are:

Risk management	Sustainable building standards	Stakeholder engagement on projects
Assurance	Ecology	Environmental infrastructure
Research and development	Domestic waste management	Post-occupancy evaluation

The way ahead

Home builders are encouraged to analyse their performance in the benchmark, particularly with regard to areas of weakness highlighted in this report. They should also work together with peers, through other industry bodies, with their existing stakeholders and identify further stakeholders to understand how to improve going forward.

Clearly home builders do not work in a vacuum and the Government needs to set out its expectations of the industry in delivering sustainable communities, through setting transparent and coordinated policies related to planning and the environment. By providing clear information regarding sustainable homes – and marking the direction in which the UK home building industry should be travelling – investors, consumers and clients will be able to make better decisions regarding sustainable homes.

NextGeneration can play its part in supporting the industry going forward by continuing to engage with the top 25 home builders to promote best practice. This is achieved not only through the benchmark itself, but through provision of information and nurturing opportunities to learn from others, from within and outside the sector, at NextGeneration hosted events.



12 Recommendations

12.1 Key recommendations to industry

Ensure that sustainability issues, and specifically the risks associated with them, are integrated into companies' annual reports and accounts. This requires:

- Identification of all sustainability-related risks, e.g. environmental, health and safety, reputational and supply chain;
- A rigorous and transparent approach to risk assessment for all business risks, and disclosure of how this process works;
- Discussion of the linkage between sustainability risks and sustainability strategy;
- Disclosure of sustainability risks that are 'high risk';
- Identification and discussion of the financial implications of the risks disclosed; and
- Signposting to more detailed information on sustainability risk.

Understand sustainability issues material to the business, being sure to include areas such as ecology, and develop a robust approach to the management of all material issues throughout the product lifecycle.

- Review and, where necessary, revise sustainability strategies to ensure that they are holistic and relevant.
- Identify areas of strong sustainability management and performance within the business and apply the learning from these to any weaker areas.
- Engage with outside bodies and stakeholders to review and improve sustainability management.

Undertake, more frequently and more rigorously, post-occupancy evaluation on all aspects of a development in order to capture and apply lessons learnt, and also improve research and development in sustainability.

- Innovate to obtain post-occupancy data, e.g. work with peers and utilise social media.
- Improve sustainability research and development in order to respond to the challenges and opportunities that lie ahead.

12.2 Key recommendations to Government

To enable home builders to deliver truly sustainable developments and to play its part in bolstering the green economy in the UK, it is critical that the Government sets out its expectations of the industry in this area, particularly by clarifying the role of all stakeholders in the development process. Specifically the Government should:

Make sure that the planning system provides a clear framework for all stakeholders to deliver a truly sustainable built environment.

- For home builders in particular, ensure that the planning system is implemented transparently and consistently across all decision-making bodies, from local through to national levels.

Dovetail policies that, together, will deliver the right incentives across different policy areas and remove barriers to the delivery of sustainable homes.

- Work towards a consistent approach in stimulating the demand for sustainable housing and provide consumers with access to the right information to help them make better decisions.

Incorporate a clear and long-term vision in all policies that support the growth of a sustainable housing supply, so as to enhance the delivery of low and zero carbon homes and to position the housing industry as a key sector in the delivery of a low carbon economy in the UK.

- Maintain global leadership in delivering low carbon housing and work with the industry to reach its ambitious targets.
- Collaborate with the industry to resolve any technical, procedural or administrative issues within sustainable communities' standards.
- Undertake research (perhaps through funding post-occupancy evaluation studies) as to why some standards are not being adopted by the industry and ascertain what could be done to improve their take-up.



2011

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