



Everyone Needs a Home

Report of Working Groups – April 2011

Introduction

Housing in Britain now operates in a completely new context. For every penny spent on housing to count, the housing property sector needs a big voice. The Housing Forum believes that our strong public and private sector connections give us the voice of the industry. We have effectively brought all the housing property sectors together, by building on the success of partnering and joint venture approaches – a central part of The Housing Forum’s offer. Now is the time for innovation and for homes built to the highest standard and for improvement in the existing stock through asset management and maintenance. The Housing Forum works for real progress at a local level, while applying the best national and international practices.



Barry Munday
Chairman, The Housing Forum.

As The Housing Forum sets out its priorities for housing over the next couple of years, we are aware that the sector operates in a climate where new sources of investment funding for housing are sought. We also operate in the context of an increasingly smaller public sector. The nature of public sector commissioning of housing will reduce and local planning frameworks will change. The provision of new homes and better refurbished



Shelagh Grant
Chief Executive, The Housing Forum.

homes in this context does need a more agile and proactive approach, and this report and our four working groups have set out practical solutions to help this come about. Our four working groups have involved over 70 leading cross industry experts who have examined the pertinent issues and considered “What does the housing property sector have to do to ensure housing delivery?”

Report Contents

Do-it-yourself Planning and Housing Delivery in a Localist World	8-13
At the Heart is Housing	14 -19
Affordability Later in Life	20-25
Routes to Community Scale Retrofit	26-36
What Happens Next?	37
DCLG Household Projections 2008-2033	38
List of Participants	39



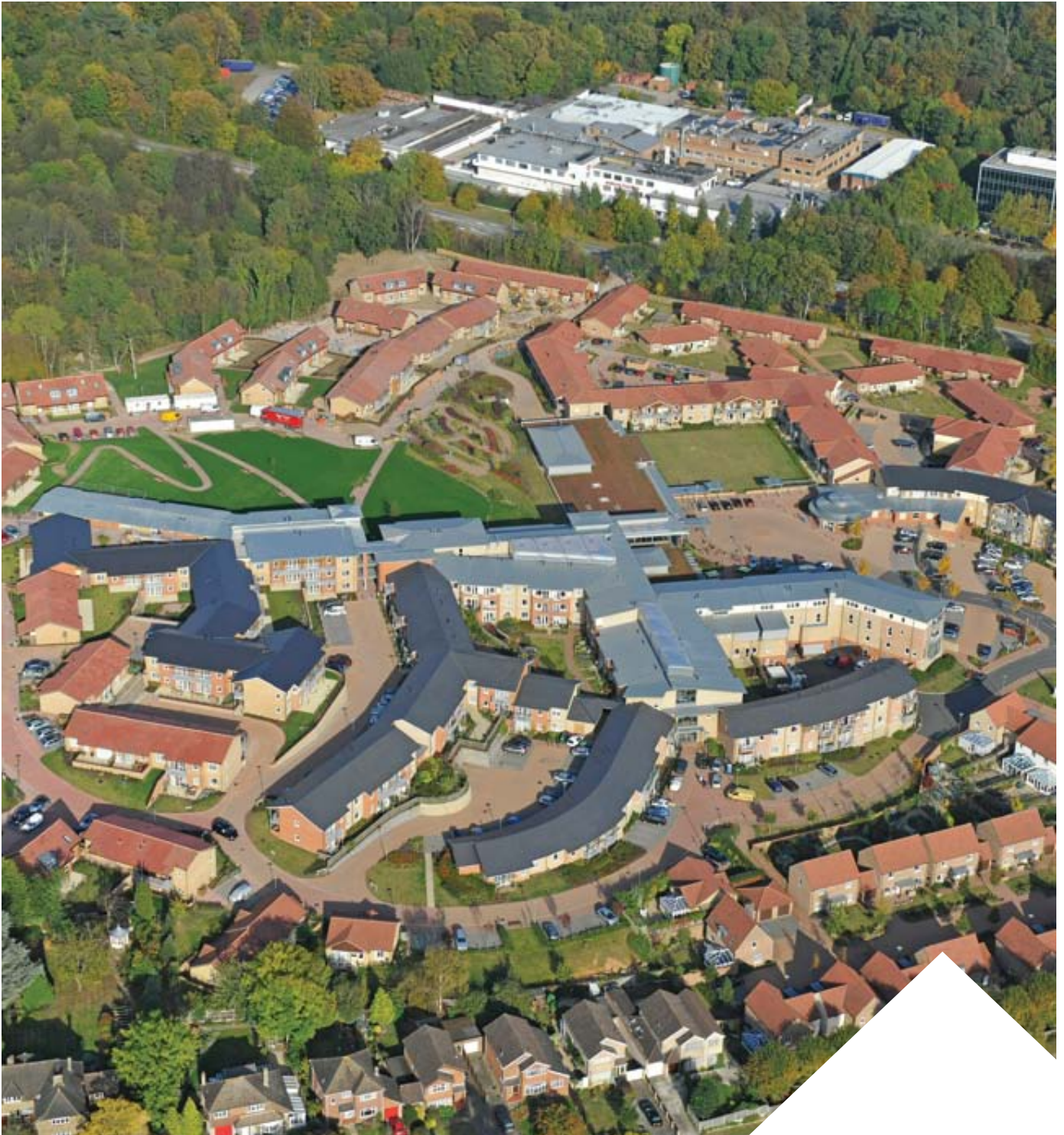
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The views expressed in this report reflect the wide range of contributions made by the working groups but would not necessarily be shared by individual members, or their organisations.

A radical change is underway in the planning frameworks and our first report is **“Do-it-yourself Planning and Housing Delivery in a Localist World”**.

Our approach has been to dig deep into the aims of the Decentralisation and Localism Bill which is intended to be enacted by 2012 and offer practical proposals to show how it might be delivered and where further clarification is needed. The Housing Forum, from its days of The Customer Driven Strategy, has chimed with a neighbourhood and sustainable focus, but, the message is still quite clear - many more homes are needed.



Willmott Dixon - Denham Garden Village

Introduction

This is a work in progress, intended to make sure that final housing outcomes are successful and aligned to local priorities, in the following topic areas – which will be updated on an ongoing basis:

- 🏠 Making the Case for Development
- 🏠 Presumption in Favour of Sustainable Development
- 🏠 Local Enterprise Partnerships (LEPs)
- 🏠 Local Vision and Wellbeing Outcomes
- 🏠 Improved Evidence and Practice in Strategic Housing Market Assessments (SHMAs)
- 🏠 Infrastructure Finance and Delivery
- 🏠 Land Price and Challenges for Valuation
- 🏠 Community Housing Opportunities

We have examined the overall approach to affordable housing in our second report **“At the Heart is Housing”** which is set in the current operating context and takes the view that market models for rented housing are being considered by the commercial sector as a strategy of diversifying as they see less social housing units being built. Demographics indicate pressure for more homes will not change but a more successful way of reconciling new and existing communities through planning reforms is vital.

The challenge for the housing association sector in particular in delivering on the new flexible tenure regime relies, to an important degree, on maximising assets along with other funding regimes. The best use of asset disposal techniques can benefit from lessons learnt in partnering, options appraisal and stock condition surveys to

ensure that capital assets are maximised on sale and disposal programmes.

Taken as a whole, the new regime, worked in with the suite of local incentives presents opportunities for local councils and housing associations to raise the bar and cater for a new and emerging generation of long-term renters. Preparing to meet new markets



Bromford Housing Group - Landmark Point, Burton-on-Trent

– in terms of graduate workers and newly retired – can bring balance and range to a management portfolio and an opportunity to develop new types of renting and products.

There are significant economic differences in housing markets across the country and reforms need local sensitivity and flexibility for local circumstances.

A housing market of a different type is opening up in the retirement arena as our third report **“Affordability Later in Life”** sets out. The inevitability of the

need to make personal provision for care and support in later life and the fact that home equity is the major source of funds for many suggests that the industry should be catering for those able to make choices in this area.

We have focussed on how this might come about and how housing businesses might deal with this. Whilst

new generations of ‘extra care’ have evolved as a response to social and care needs, we believe that certain factors which can stimulate the market have not been fully addressed.

Our conclusions suggest different drivers which need to come through – economic factors mean that schemes for the elderly are likely to be much greater in number of units and overall size. This requires different conversations, adjustments and consultations both with communities and with potential residents themselves.



Town and Country Housing Group - Orpington High Street

Placing schemes at the centre of urban areas but in accessible neighbourhoods offers the opportunity to access supplementary revenue schemes – by shared developments with health related and retail uses and it is in these locations that there is sufficient volume of demand.

There will be more mixed tenure in the future and schemes will be development driven. In order to work at a commercial level, this will often mean offering units for sale ahead of the social rented sector.

The existing housing stock is the key to delivery on the low carbon agenda – with or without new build additions. Our fourth report “**Routes to Community Scale Retrofit**” is written on the threshold of changes to financial mechanisms and explores a complex range of motivators, providers and opportunities.

Despite wide recognition of the issues in the sector, retrofit policy, timescales and process have lacked co-ordination and for too long focussed on individual properties.

The era of localism and the introduction of Neighbourhood and Community Plans provide the opportunity to tie this together as a fresh platform for retrofit policy. Our report outlines the main approach at a higher level as a basis for good practice work in this area.

The Housing Forum Working Group Chairs



Stephen Hill

**Chair of Working Group:
Do It Yourself Planning**

Stephen is an independent public interest practitioner, with forty years of public and private sector experience of housing, planning and delivering mixed-use development, urban extensions, new settlements, and community-led neighbourhood regeneration.

He is currently RICS' representative on the CLG Housing Policy Sounding Board, and Housing Construction Roundtable, through which he has been co-ordinating a self-organised housing sector group working with CLG on new policy development and plans for delivery. He is now chairing a working group on Land Supply for CLG's newly established Self-Build Government-Industry Group. For over 20 years, he has championed land tenure and tax reform, Community Land Trusts and citizen led housing solutions.



John Cross

**Chair of Working Group:
At the Heart is Housing**

John has been Chief Executive of bpha since 1995 and was appointed to the Board in 2004. He is responsible for advising the Board on the formulation of policy and the implementation of Board decisions, and also leads bpha's staff and the overall management of the Association.

John has twice been a member of the National Housing Federation Board, serving a total of 11 years. He was elected to the position of Chair in October 2006 for a three year term and has also chaired its Housing Finance and Investment and Regeneration Committees.

He is a Board member of both the Oxford and Gloucestershire Care Partnerships and Chair of Cambridgeshire Partnerships Limited. More locally, John chairs the Bedford Borough Partnership (the local strategic partnership) and is an active member of Renaissance Bedford, a partnership of public and private sector organisations supporting the delivery of the sustainable communities plan in the Bedford area.



Alan Soper

**Chair of Working Group:
Routes to Community Level Retrofit**

From 2004 until his recent retirement, Alan was Managing Director of Ian Williams, a large, privately owned company providing services to the built environment. The company's main sectors of expertise are social housing, education and public buildings and it is a direct employer of all major trade skills.

Alan's background in the outsourced services sector, includes 12 years in Facilities Management, running the FM businesses of AMEC and EMCOR. Following a degree in Mathematics at Exeter University, his early career was spent with the National Freight Corporation, leading to his first MD appointment – at the parcels company, Lynx Express. After a short spell with the waste management company, Biffa, he subsequently advised the Ocean Group on strategic acquisitions then joined AMEC in 1997.

A Henley MBA, he has been a vice chairman of the Business Services Association and is a regular speaker and facilitator on service management issues.



Roger Battersby

**Co-Chair of Working Group:
Affordability Later in Life**

Roger Battersby is Managing Director of PRP Architects, where he is also in charge of the practice's specialist housing portfolio. His involvement in the design and delivery of housing for older people over the last 20 years has made him one of the UK's authorities in this sector. His knowledge of the subject extends across both the private and public sectors and from independent retirement living to higher care & community based health facilities. Roger is a regular speaker at conferences and seminars on housing for older people which have included organisations such as CABI, Architects' Journal Conferences, Laing & Buisson, the IAUSA, National Housing Federation, Chartered Institute of Housing and The Housing Forum.

He was a panel member on the Innovation Panel for the Housing our Ageing Population (HAPPI) initiative commissioned last year by CLG and the HCA to make recommendations for a new generation of housing for older people.



Bob Walder

**Co-Chair of Working Group:
Affordability Later in Life**

Bob's career in housing began in 1977 in Moss Side, Manchester. He spent five years in the Potteries as Development Manager and Deputy Chief Executive of an Association before joining The Longhurst Group in 1989. He has been a Fellow of the Chartered Institute of Housing since 1990.

Bob was Chairman of the National Housing Federation (NHF) in the East Midlands from 2001 to 2005 and Chairman of the East Midlands Regional Housing Board until it was discontinued in 2010.

Bob is a keen supporter of Homeless International and is on the board of a local college. Bob has dedicated his working life to housing and support and believes that by working together we can make a positive difference to local communities.

Do-it-yourself Planning and Housing Delivery in a Localist World



Lancaster Cohousing - A community-led project of 40 socially and environmentally sustainable homes will be one of Europe's largest PassivHaus developments. These Code 6 homes will match local market values for 'normal' housing. Start on site June 2011.

The Brief

The work of this group is a continuation of the work carried out last year under the title “Plan and Deliver - a response to the Localism agenda”. Post the 2010 election, the Coalition Government has moved swiftly into legislation. The Decentralisation and Localism Bill is likely to become law early in 2012.

Whatever detailed changes might occur along the way, the general direction of planning and housing policy is now clear. These changes within planning and local government, when combined with the revisions to housing finance, the benefits system and the overall economic climate will have far reaching effects on housing delivery.

With the content of the Bill well documented by others¹, the main focus of the working group has been to:

- 🏠 identify and comment on a number of practical issues arising out of the proposed legislation, and
- 🏠 develop Briefing Notes for different parts of the industry and especially for new MPs and council members as part of a growing **Toolkit for Sustainable Development** ... hence the term “Do-it Yourself Planning”.

The Housing Forum has consistently supported a localist approach to housing and planning, which in the longer term, if implemented properly, could begin to turn the tide of public and political opinion towards a more positive and sustainable attitude to providing new homes and better services for local communities.

Such changes were the intended outcome of the planning reforms of 2004, and to bring them about now, still requires the major cultural change

that has not yet been achieved, and the resources to make it all happen. But the message is still quite clear – more homes are needed and the process and time period of reform must be managed to avoid delay and which could lead to the under-delivery of homes.

The absence of planning certainty as the essential building block of investment confidence in new infrastructure and housing supply threatens the investment and growth agenda which is imperative to national economic recovery.

A key part of this work is the development of a **Toolkit for Sustainable Development** to advise the sector as policy develops. More information on the Briefing Notes which form part of the ‘Toolkit’ can be found at the end of this report and on The Housing Forum website: **www.housingforum.org.uk**

¹ See “Decentralisation and the Localism Bill: an essential guide” and “A plain English guide to the Localism Bill” at www.communities.gov.uk

Housing supply: a train crash or running out of steam?

In the words of one group member “we are heading for a train crash”. A more relevant metaphor might be that of “running out of steam”. Once the current pipeline of work from Kickstart, Homebuy Direct, and the last of the Homes and Communities Agency’s (HCA’s) 2010/11 programme have worked their way through the system, there may be little left to stoke the engine. In early 2011, Industry fundamentals are:

- 🏠 A fall-off in supply and orders for new work from an already low base in 2010
- 🏠 Absence of credit, making new investment difficult for manufacturers, contractors and house builders of all sizes
- 🏠 Closure of firms across the supply chain including some substantial materials suppliers and contractors, and
- 🏠 Loss of capacity and skills leading to future reliance on imports of materials and labour.

Moves towards greater empowerment for individuals and communities must therefore be balanced with the need to create affordable homes for all, and for the employment opportunities that their production can bring.

We have therefore taken a balanced approach to assessing both the risks and the opportunities of planning and housing reform.



Ashley Vale Self-build project, Bristol - This 37 home and workspace scheme is the first group self-build project to win a Building for Life Gold Award, and was an alternative response to development proposals that had been unpopular with local residents.

First impressions of the Bill

The popular perception of the Bill could probably be summarised as ‘less planning: less housing’. The rhetoric is about simplifying, and even bypassing traditional planning processes, freeing communities and developers from past planning restrictions and centrally imposed housing targets.

The reality is rather different; in fact, almost the direct opposite.

On planning: whilst Regional Spatial Strategies [RSS] are going, the Local Development Framework [LDF] remains intact. Authorities who have suspended work on their LDFs now have no reason not to resume. The new Local Economic Partnerships [LEPs] will have an as-yet unresolved role in spatial planning and the delivery of infrastructure.

It is likely that each LEP will be different; e.g. where areas which come together to develop a coherent and integrated plan across an economic area, this could provide a stronger framework for strategic decision-making and drive change.

In other areas, LEPs may choose not to have a planning role because it is deemed unnecessary.

New Neighbourhood Plans will be possible, potentially with universal coverage and their own unique inspection regime. There will be a new National Planning Policy Framework, and special procedures for community led housing projects will also be grounded in new planning instruments like Community Right to Build Orders.

On housing: whilst ‘central’ housing targets will also go, local councils will still have to set their own targets. If there is no adopted plan in an area, because the LDF is not in place, the presumption in favour of sustainable development will effectively give planning applicants a deemed consent. Deemed consents will be able to rely on the evidence of local demand from Strategic Housing Market Assessments (SHMA), which in most cases will indicate that both higher numbers of new homes and faster rates of completion are needed than those that were adopted in the RSSs. Equally, Neighbourhood Plans will only be able to modify the number of new homes in the area upwards. Neighbourhood Plans will effectively be detailed local housing delivery documents.

Moreover, all the current planning reforms need to be set against forthcoming changes in EU regulations arising from the Lisbon Treaty; tightening up on environmental impacts, and from 2014, the Territorial Impact Assessment [TIA] to measure the impact of both national and sub-national policies and development decisions on local places.

Do-it-yourself Planning and Housing Delivery in a Localist World



Passivhaus 'Building Group' at the Smiley Barracks Project in North Karlsruhe, Germany - The city council set up an arms-length development management company to assist 10 'building groups' realise this 195 home scheme, for a range of income groups and special needs; all to high environmental standards.

As the Plain English Guide to the Localism Bill states: "A good planning system is essential for the economy, environment and society."

What will be the impact of the Bill?

The Bill aims to shift power from central Government to individuals, communities and councils to give greater opportunities to influence the decisions made on the provision of services at a local level.

However, the political narrative, which is essentially about the need for culture change, is not yet sufficiently clear. Despite the realities of the Bill's impact, outlined above, there is emerging evidence that the process reforms will, in many areas, lead to very little happening, with an inherent resistance to change being the default setting.



Wick Village Tenant Management Housing Co-operative, Hackney, London - Residents involved in the redevelopment of the notorious Trowbridge Estate in the early 1990s, co-designed this 123 home scheme with Levitt Bernstein Architects. They continue to manage it for their landlord, Hackney Council.

There is also a lack of clarity as to what constitutes 'a community'. The Parish Council may be a natural definition in rural areas, but things become cloudier within urban areas where wards are not something with which people readily identify, and which may contain three, four, or even more communities of place.

With the removal of the regional tier of sub-national planning, the lack of coherent and reliable infrastructure and planning and investment certainty at the 'right' spatial scale is a further critical problem that the Bill fails to address.

The duty to co-operate placed upon adjacent local councils seems too loose to be effective, when significant and potentially risky investment decisions have to be made by both public and private investors.

Overall, the Bill and its associated policies appear weak on effective incentives, and contain few sticks to stretch supply. The New Homes Bonus may be attractive, particularly when local councils are facing cuts. However, local councils need more incentives at the front end of delivery programmes, not time lagged payments after completion, but we are into uncharted territory. For instance, will the incentive be sufficient for non-developing councils to start growing again simply to regain the money that will have been top sliced from their central government settlement?

Neighbourhood Plans will be resource intensive, and communities will need to be able to call on new sources of enabling and professional support. Local planning departments will be

severely stretched over the next few years, needing to cope with staff cuts but also service Neighbourhood Plans and submit suspended or incomplete LDFs for Public Examination.

Although, some LEPs have a strong business presence now, and have potential for more, that will only be sustained if there are clear roles for business and real and quick tangible benefits for their participation. There is a concern that the role of business in this process has not been acknowledged.



Neighbourhood Planning, East Brighton New Deal for Communities -

In 2000-1, NDC residents, 150 adults and children, were trained as 'barefoot urban designers' to manage a mass 'Planning for Real' programme across 15 small neighbourhood areas, linking placemaking and community development activities.

However, in Neighbourhood Plans, where the participation of local and often very small businesses could be essential, and may depend on their resources and support, they will have no say in supporting or opposing a Plan, and therefore no obvious reason for participating.

There is a need for a more inclusive approach which marries the rights of individuals and the obligations of local councils with the vital economic contribution that business can bring to communities.

In the past, too much emphasis in planning reform has been placed on process and not enough on content, culture change and vision. Whilst the detail of the new Bill itself will do little to address this fundamental need, the message to Government must be to explain, convince, and challenge; responsibility for culture change rests with political community leadership.

What amendments might be needed?

The group had a number of questions about the principles of the Bill, especially on Neighbourhood Plans, and the Community Right to Build, as well as on strategic issues:

- 🏠 Are referendums an appropriate mechanism within planning? Good planning balances a range of considerations. The answers are rarely a simple yes or no. Over-use of referendums could create social divisions rather than resolve them.
- 🏠 Who will undertake the 'light touch examination' of the Neighbourhood Plan? There is need for better definition of the skills and role of Independent Assessors to ensure that plans comply with both legal requirements and national policy. Where will they come from?
- 🏠 How will more robust evidence of demand be collected to set the benchmark of supply levels that will be set for Neighbourhood Plans? Housing demand and need often spans across neighbourhood and local council boundaries and changes over time. Better evidence collection, better assessment methods and guidance on their use will be essential tools for ensuring that appropriate housing is planned for.
- 🏠 How will action happen across administrative boundaries when decisions and action are critical for maintaining or improving community wellbeing? We have already highlighted the need to strengthen 'duties to co-operate'...across and within council areas, and between councils, LSP partners and communities.
- 🏠 How do we reinforce the status of the growing number of completed Infrastructure Delivery Plans as the essential element in creating a context for the actual delivery of Neighbourhood Plans and the rest of the LDF? LEPs offer a potential opportunity to create wider area economic and spatial plans which balance community needs with inward investment. As presently conceived these bodies appear to have limited powers and are unlikely to have direct influence on housing delivery.

Towards a Toolkit for Sustainable Development

The working group has developed a series of Briefing Notes that will be accessible on The Housing Forum website www.housingforum.org.uk These will be amended or added to over time as the Localism Bill progresses,

and as members develop ways of operating within the new environment.

The current topics are as follows: Making the Case for Development

The UK currently suffers from a huge housing shortage, especially in terms of housing genuinely affordable for people on average and low incomes.

Do-it-yourself Planning and Housing Delivery in a Localist World



Blissland Community Land Trust, Bodmin Moor, Cornwall - This CLT provides PPS3 compliant permanently affordable housing for local people in high value rural areas. The Cornish CLTs have been promoted jointly by local communities and landowners, with the district and parish councils.

Housing is needed in sufficient quantities to support economic activity, attracting and retaining skilled labour in all parts of the country. Poor quality and high cost housing generates substantial opportunity costs for the public purse in terms of poor health, educational and public safety outcomes, as well as excessive and unnecessary housing benefit expenditure and mortgage debt.

The Presumption in Favour of Sustainable Development

The National Planning Policy Framework (NPPF) will consolidate existing planning policy statements, circulars and guidance documents into a single document. The NPPF is expected to set out that, where there is no local or Neighbourhood Plan, there will be a

presumption in favour of sustainable development.

The NPPF will also contain the definition of sustainable development that is sufficiently holistic and robust, so that high quality development is achieved, in the right place, ensuring the long term wellbeing of our communities.

Local Enterprise Partnerships [LEPs], housing, planning and infrastructure

LEPs are developing in a variety of ways. There will be differences across the country. All will need to develop a clear understanding of the relationship between economic prosperity and housing, the quality of the residential environment, and the infrastructure needed for a good quality of life. Key issues include:

- 🏠 The impact of a limited range or poor quality of housing on the attractiveness of a place
- 🏠 The affordability of housing relative to salaries of average and lower paid jobs
- 🏠 The quality of housing to attract people from particular sections of the workforce
- 🏠 The impact of possible interventions, such as improving private rented housing

Local Visions and wellbeing outcomes

Localism could provide great opportunities for community leadership to create positive and innovative plans for the quality of life in 'their place'. It could equally run the risk of opening up significant inequalities between individuals and places without sensible checks and balances.

A simple 'test', linked to the 2010 Equalities Act, could ensure fair access to community budgets and effective accountability for the use of public money between different levels of government and between different communities and places.

Improved Evidence and Practice in Strategic Housing Market Assessments (SHMAs)

The proposed changes to the planning system will involve the abolition of regional housing targets, and an emphasis on 'bottom up' plan making. Even so, the new regime for allocating land for housing will have to be based on evidence relating to both housing needs and demand, and the way local markets work. Communities generally identify with smaller areas than the

housing markets in relation to which SHMAs must be made. Good and easily understandable evidence, describing a locality's significance in a housing and economic area, will be essential to gain acceptance of housing needs and demand at a very local level.

Infrastructure Finance and Delivery

Even following the Comprehensive Spending Review, public resources for civic infrastructure remain largely unchanged: but this continues to be significantly less than what is needed. We need new ways of:

- 🏠 integrating public and private investment
- 🏠 ensuring that planning provides certainty sufficient to give investors confidence, and
- 🏠 attracting global capital to the UK, against competition from other economies.

However, this must be capital looking for long term sustainable investment opportunities that no longer relies on the speculative and inflationary increases in land prices that have so damaged the economy in recent years.

Land Price and Challenges for Valuation

Our uniquely unaffordable and volatile housing market arises from:

- 🏠 Planning and regulatory constraints on developable land
- 🏠 Over and now under-supply of credit
- 🏠 Sustained under-investment in infrastructure
- 🏠 Landowners expectations of short term capital gain
- 🏠 Anti-development sentiment in many communities.

UK land costs much more than in other European countries, and so can and does damage the economy by diverting capital to service high levels of personal and corporate debt in property. Government should encourage savings and investment in genuinely wealth creating production.

Community Housing Opportunities

The community housing sector should be a significant contributor to the Government's ambitions for Localism; planning, building and managing housing

of all kinds and affordability levels that meet local needs and demands.

The sector includes co-operatives, mutuals, co-housing, self-build, development trusts, and community land trusts. They have been the inspiration for the proposed Neighbourhood Plans and Community Right to Build. The sector has a strong track record over 40 years of co-producing well designed places, with high levels of resident and neighbour satisfaction.



Photo: Steve McLaren

Wesley Square Co-ownership Housing, Notting Hill, London - The Housing Corporation was originally set up to promote co-ownership housing. This 50 home project, built in 1978, remains a very popular and affordable self-managed development for families and single people in one of the most expensive parts of London.

... and finally

The strategic function of planning as a framework for integrated public and private investment and infrastructure delivery did not work under the last two planning systems, as the work of this group and its two predecessors has consistently pointed out. So, it would not be fair to criticise the new system for that shortcoming. The industry must take initiative for creating its own new and better systems of delivery. Good planning always has happened, and perhaps can only happen, when people want to do it... despite the system or system reforms. That's why it's Do-It-Yourself Planning...

At the Heart is Housing

Taking the Pulse

This report examines the current housing market, particularly the direction that new home building for lower income households is likely to take. The report opens with views on the financial position and affordability in housing and moves on to consider delivery.

Responding to the emerging picture requires resilience and an agile approach. This is examined from the perspective of housing associations - as the main providers of new affordable homes, from developers and contractors as the builders of homes and major employers in the construction industry and signals a call for a new generation in housing management as the nature and customers of the rented sector are likely to expand.



Plus Dane - Heath View

Major factors include:

Future availability of grant may be linked to asset disposal and agreed organisational efficiencies and new rent policies to be set out in the Affordable Homes Programme. S106 sites may be unlikely to receive grant in the future.

A reduced appetite for lending to housing associations; more expensive and shorter term private finance facilities, limiting sales, cross-subsidy and section 106 affordable housing provision. Alternatives, including industry-led bond schemes and new models for facilitating development are likely to come forward.

The need to retain skills across the sector and put them to good use over next the 2-3 years and keep up momentum in

house building and regeneration to meet huge demand. In encouraging a broader perspective, the long term impact of student grant repayments will be a key economic driver in the future, and delay entry to home ownership. Conversely, this so called 'inbetweeners group' offers a future rental market opportunity.

In November 2010 the Government announced plans to radically reform social housing, including the introduction of a new type of tenancy. Homes for affordable rent will be issued on fixed term tenancies, at rents between existing social rent levels and 80% of market rent. It is expected that housing associations will convert some of their existing stock into the new affordable rent product and invest the uplift in revenue in the provision

of new affordable housing as grant is significantly reduced. A new framework for the Affordable Homes Programme has been launched with £4.5bn over the next 4 years to deliver 150,000 new homes, part funded by a new affordable rent system of up to 80% market rent.

The extent to which this new model will create potential to provide for affordable homes is significantly different in parts of the country and is likely to work better in London and the South East, compared to the Midlands and North.

The Government is committed to increasing housing supply and believes that a locally driven approach will be more successful than imposing top down targets through mechanisms such as the Regional Spatial Strategy. It is bringing forward a number of incentives including the New Homes Bonus, the Community Infrastructure Levy and Tax Increment Financing to encourage local councils and local communities to support sustainable development in their neighbourhood. The Government believes that these incentives, alongside



bpha - Mawsley Village, Northants

changes to the planning system to allow communities to shape their neighbourhoods through Neighbourhood Plans and Community Right to Build, will stop the planning process being so confrontational. "Do It Yourself Planning and Delivery in a Localist World" – our first report covers this area.

Most developing housing associations are re-examining business plans and assumptions in order to predict the likely balance in terms of cost, houses produced and future risk. This is by no means a uniform process as it clearly depends on a range of individual starting points, making predictions of actual homes to be delivered uncertain.

The Issues

Finance

Larger housing associations have access to the bond markets for fixed rate long term finance, whilst smaller housing associations can access funds through conduits such as The Housing Finance Corporation. Banks are more reluctant to lend than in the past partly due to the large loss making legacy loans which they seek to re-finance but also new regulatory and liquidity rules which make it more difficult for them to commit to the longer term. That said, finance can be obtained, although housing associations may need to accept shorter terms of say 5-10 years and face, as in the commercial market, a re-finance risk.

Funds raised from affordable rent could unlock extra money for development, but it very much depends on local conditions.

Banks are less interested in the sector than they were, and demanding higher returns on their investment and are not flexible. This is difficult for small housing associations; however, some larger associations have extended bonds on lower interest rates e.g. a 10 year floating pot that is then re-priced.

Index linked returns can make social rent attractive for investment.

There is low mortgage availability and higher interest for those mortgages that are being approved.

Moving to a revenue based model (affordable rent) can significantly affect the financial gearing of housing associations, which will present risk and regulatory issues.

Affordability

In the process of delivering more housing, there is an enduring tension between subsidising new buildings; subsidising households/households paying more for their housing; and the standard of new housing. These three factors pull against each other and at the centre of the tension is the question of the 'affordability' of housing for households.

Local councils will be required to have a Strategic Policy on Tenancies which could provide an Affordability Policy for a local area. The strategy is required by 2012 but bids for grants have to be in by the end of April 2011.

At the Heart is Housing

New Supply - The Provider's Perspective

The context of wider public funding cuts means that there will be other competing calls on housing association budgets e.g. Supporting People funding and crime prevention measures. Finding neighbourhood solutions to these challenges will be crucial for housing associations and the neighbourhoods they serve.

A more flexible approach to development in lower value areas is needed. This may be on the basis of higher grant levels, or flexibility around geographies, or other measures.

The decision on whether to develop, and if so, what proportion of budgets will be allocated to development versus other competing demands will be taken by housing association boards. There is a need to ensure they are well informed and equipped to assess the opportunity and risk. Protecting the value of assets in management (existing stock) is also a key factor in a re-financing strategy.

There is a need for local councils' senior officers and particularly politicians to understand the new 'affordable rent' development model, and its implications for their area.

The Government is committed to publishing a Local Standards Framework by April 2012. It hopes to help councils and the housebuilding industry working together to develop a simple and costed menu of standards that local councils can choose to apply that will not place unrealistic burdens on developers. A working group has been set up which includes representation from The

Housing Forum to consider how to take this issue forward and how to address issues such as ownership of standards, enforcement and viability.

The Housing Forum welcomes the proposal to simplify existing standards and regulation and calls on both central and local Government to ensure that the framework is sufficiently robust to prevent additional layers of regulations being applied at a local level through planning documents or planning conditions. The Housing Forum also welcomes the proposal to ensure that standards are consistent across private and publicly owned land.

New Supply - The Developer's Perspective

The role of the HCA as enabler is crucial when working with councils that do not have in-house skills.

Many councils have underutilised land holdings and there are opportunities here for low cost home ownership/ shared ownership development which may not rely on grant. Several organisations are developing sub-market models with equity retained by the land holder which can be viewed as a (longer term) increasing asset and a way of meeting local needs.



British Precast (Courtesy of Interpave Permeable Paving)

There is a need to renegotiate planning on many sites now as the housing mix is not viable at the moment. Much greater flexibility is needed to make new schemes viable.

In joint ventures, the risk profile increases - this relates to the capacity of the developer, and the skills and levels of sharing risk and investment. In shared ownership models, land can be contributed as equity. Conversely housing associations looking to develop private sale and market rent products, to underpin their affordable housing programmes will harness the experience of developers to form a mutually beneficial partnership.

New forms of partnering need to be agile enough to deliver and take account of the following to assist in delivering real value to the process:

- 🏠 OJEU Compliant² - there needs to be more work done to streamline this process to make it fit construction, make it efficient and reduce waste.
- 🏠 Tenants want to be “heard and influence” and to see the delivery of homes that are of high quality, defect free, easy to use, functional and flexible through their occupation life time with an “after sales” service that exceeds their expectations and a place that “feels like home.”



Catalyst Housing Group - Oaklands Court Roof Garden, Hammersmith

Housing associations will want to ensure on time, on budget, high quality, schemes that deliver the best sustainable solutions budgets can afford - easily maintainable with minimal impact on life cycle cost and ultimately resident / tenant satisfaction.

Continuous improvement and the delivery of lean processes coupled with a smooth journey from inception to completion due to excellent team working and supply engagement are also key factors.

From a community perspective residents will want to see the “upgrade” of facilities which in turn will have a positive impact on the their local environment, improving the quality of life. They will want to be involved in ensuring that

projects not only attract new people but ensure that existing communities are preserved and are socially and economically sustainable. This in turn will create opportunities for jobs, assist local businesses and SMEs and therefore develop the impetus to invest and deliver long term positive social and economic benefits.

Gaining perceived value for money through the supply chain has been a focus of a number of frameworks and partnering arrangements over recent years, with varying degrees of success. One good example to achieving a number of the targets highlighted in the above is the National Change Agency (NCA) Programme which during its delivery has seen substantial efficiency savings and substantial community benefits.

² New Procurements Policy Action Note - PAS 91:2010 Construction Related Procurement - Pre Qualification Questionnaires.

At the Heart is Housing

Housing Management Expertise

Housing management as a whole has a new challenge to rise to – encouraging/enabling more mobile communities will need an imaginative and pro-active approach to area management. There are benefits in mobility, particularly as it can release under-occupied family housing – predominantly occupied by older people. Anticipating these opportunities and preparing to manage the outcomes will require housing management to work in new ways.

How do housing associations respond to new markets – the socially mobile may be the ideal market for affordable rent and of value to future business security. How is this approach reconciled with a social enterprise model which prioritises those in greatest housing need?

Another issue is what type of social renting will there be in the future - our perspective is that we need to provide rented housing through a range of rental options.

We need to take a more assertive view – who is the new product for? In these circumstances, with the introduction of new opportunities we should be “opening up” lists – not closing them down. This approach allows all providers to better understand consumer choice and preference in a housing market.

Issues

Many housing associations are experienced delivery partners and demand for most types of housing is huge, diverse and growing.

New flexibilities in rents will give some capacity to carry on developing and offer entry into new markets and customers.

As well as building and refurbishing homes, many housing associations combine substantial investment in our neighbourhoods through new homes, refurbishment, reinvestment, job creation, enterprise and commercial activities - it is this type of community development that has long term benefits but is likely to be currently under threat due to budget restrictions.

Bringing empty homes back into use, diversifying tenure of existing social rented stock, will all be really positive initiatives, if done in conjunction with increasing new supply, both affordable and other.

Developing retrofit and ‘Green Deal’ programmes is an opportunity for housing associations to work with supply chain or larger contractors as ‘local delivery agents’.

The imperative to build homes for much less is now upon us and a more industrialised house building industry can play a part. As a sector we have not fully realised the savings and efficiencies we had hoped for through frameworks and supply chains. Necessity will force some radical new approaches.

In changed market places, there is scope to encourage initiatives like the private rented sector, self build and co-housing, which may be limited in numbers but encourage a range of provision.



Galliford Try - Epsom Clusters, Epsom



*Hill Partnerships -
Claredale Street, Bethnal Green*

Affordability Later in Life – the true cost of longevity

Time for a step change?

It is time for a total step change in the way older people view housing and health and the role that they themselves play in opening up their options.

Strategic Housing Market Assessments are passing this by and there is a future cost to individuals and an impact on accommodation providers that needs focus. The Housing Forum's view is that there is an opportunity opening up to provide for a new market in older persons housing but that this will require a step change in approach, characterised by:

- Supported housing developments offering communal facilities are likely to be much larger and integrated with communities through sharing services to achieve commercial viability.
- Active retirement housing will be in urban locations at the centre of towns so that communal provision is minimised as the facilities residents need are easily accessible.
- Affordable housing provision will be increasingly 'development' driven and delivered through mixing tenure - possibly 70:30 purchase to rental.



Where we are now

Whilst there are some attractive retirement developments for those that can afford them and there has been subsidy for social rented sheltered accommodation, there is very little on offer to the 'inbetweeners'. They represent the majority of older people living in privately owned medium priced family homes on mid-to-low incomes with limited savings or pension arrangements. The housing association sector has not yet addressed this in any major way and as business models of providers and builders have to alter to deal with rapid changes in funding and planning regimes, there is an opportunity for the sector to widen its appeal to large numbers of older households.

The Dilnott Review – The Commission on the Funding of Care and Support, due to report mid 2011, acknowledges that there is a lack of understanding that social care is not free at the point of use and consequently, people do not generally plan or prepare for future care costs. An affordable solution for later life needs to consider both capital and care costs: in this respect, affordable accommodation could, for many, mean



PRP – Kidbrooke, Blackheath, London. WINNER 2010 Housing Design Awards, HAPPI Project Scheme. Attractive apartments at the heart of a new residential quarter close to shopping and transport network. The Community HUB will provide information and facilities for residents and the wider community.

downsizing in order to release equity from their existing properties.

Most of us (85% - 90%) will opt to stay in our own homes for as long as possible or until a move is forced upon us through ill-health, bereavement or other factors. Providing care and support to enable 'staying put' must therefore remain central to our focus and although, with longer term care costs factored in, this is often not the most cost effective solution. Around 30% of our family housing stock is under-occupied by couples or single older people and this trend is set to escalate

sharply unless attractive alternatives can be offered. Appropriate housing for older people is therefore not a peripheral issue. It is fast becoming one of our major challenges in terms of mainstream housing supply.

When people choose to downsize it is generally on the basis of attractive, good quality and more practical accommodation offering a lifestyle alternative in the right locations. Evidence suggests, however, that this is in very short supply.

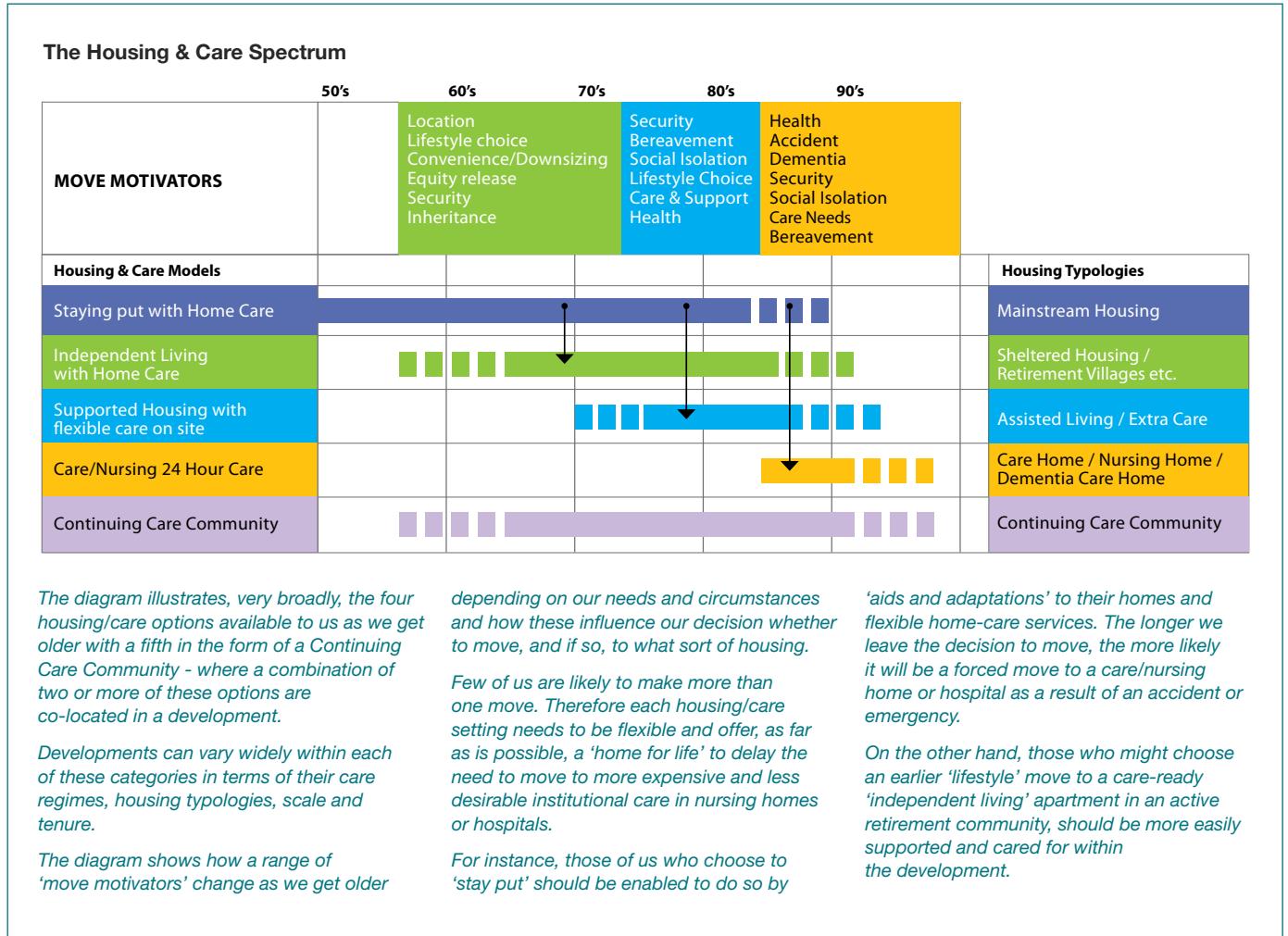
Accessible Neighbourhoods

The concept of the ‘accessible neighbourhoods’ is also key to affordability. This extends inclusive design principles beyond the home to a community that provides within easy reach, all the usual facilities of everyday life.

Evidence has shown that, given the choice, older people do not tend to move far from the communities and neighbourhoods with which they are familiar. In fact, many of us choose to return to our roots. The interface with a

familiar community also facilitates voluntary support and care assistance by friends and relatives.

We need to urgently look for innovative new ways of enabling people to make appropriate housing and care provision for themselves as they get older - and these choices need to be “care ready” to facilitate home based support. There are many different issues to be considered, across the housing and care spectrum, to make our future housing and care more affordable (see below).



Affordability Later in Life – the true cost of longevity

“Affordability later in life” raises 6 critical issues, all predicated on much wider engagement with older people:

- 🏠 Communities and partnerships must work at local level, with closer collaboration between Housing, Health and Social Care and by forging links between the voluntary and private sectors working across the housing and care spectrum.
- 🏠 Innovation in funding – new capital and revenue funding solutions are needed for funding housing and care that include releasing equity in property.
- 🏠 Review the way in which we procure new development to promote innovation to avoid very costly procedures. The review should include exploring cost effective design solutions, offsite construction methods, more integrated building management, energy efficiency and care monitoring technology.
- 🏠 Current housing models and standards need to vary to maximise value for money and ensure that our housing is flexible and adaptable in order to delay the need to move into costly, high care institutions.
- 🏠 Optimise and recycle our building stock for future use and maximise the potential of existing property through asset management programmes that can generate cross-subsidy and development opportunities.
- 🏠 Address barriers in planning and land issues.

Communities and Partnerships

If we are to provide sustainable solutions, we need to better engage with cohorts of older people (from 50 - 110 years of age) in their communities to better understand their housing and care experiences, needs and aspirations, improve the availability and quality of local advice and information and encourage their greater participation in local strategic planning and design of housing.

The localism agenda makes good sense in the context of housing and caring for older people. The profile of our ageing population is as diverse as the wider population in terms of wealth and poverty, needs and aspirations, social and cultural diversity. Local solutions

that acknowledge this diversity and embrace local communities in the planning and delivery process to meet local needs are therefore essential.

The shift towards localism places councils centre-stage in the decision making and strategic planning process. If localism is to deliver, local councils must take the lead in establishing and meeting the needs and aspirations of their older people across both the public and private sectors, through an adequate housing assessment that includes the wider community.

If we are to provide sustainable solutions, we need to better engage with cohorts of older people in their communities. Equally important and

in the context of localism is greater involvement of communities themselves in finding locations for older people's housing.

A strategic plan/framework should be adopted by each local council to establish partnerships with local developers, voluntary agencies and charities to provide for the physical, housing and care needs of its older residents, from the adaptation of individual homes for improved mobility to the development of community-based resource centres. This should be bedded in with the new GP led regimes in health planning which offer the opportunity for health, housing and social care to drive affordable housing in a local context to meet specific needs.

Innovation in Funding

Many public sector extra care housing developments are already reliant on mixing tenure and the cross-subsidies that can be generated by the private sale and shared ownership elements of a project in order to deliver affordable rental accommodation.

If we are to address the large 'inbetween' market, we need to very much broaden our offer in terms of tenure and housing and care packages.

For those property owners that hold substantial equity in their properties, equity-release funding models are becoming more readily available, and private equity companies are starting to specialise in this area to enable people to draw down capital funding for alternative housing and revenue funding for their care needs.

Developments that cover all future housing and care costs against insurance premiums, either in the form of a lump sum at the start of occupancy or included in monthly service charges, are likely to become more common. Some providers offer an annuity against care costs that add about £40k in cost at the start, leaving the capital untouched.

Alternative revenue funding streams can support mixed funding models in the form of commercial rents from a range of complementary uses from pharmacies to health clubs.

Co-housing, where a group of people collaborate to fund and develop new homes collectively, is a model which is well developed in Europe and Scandinavia but relatively new in this country. The major obstacle here would appear to be in securing suitable sites and bridge funding to enable site purchase and development costs.



One Housing Group - Roden Court, Crouch End N6 – Extra Care Scheme

Procurement Costs & Standardising the Product

We need to move on from costly procurement methods, to demonstrate ‘value for money’ to the public sector through competition. More efficient and workable alternatives which achieve good value without costly and wasteful procurement methods are needed.

Affordable housing providers should be

encouraged to consider more market-based models and be permitted to move away from EU procurement legislation which prevents creative partnerships and/or joint ventures with contractors. Some contractors now are keen to offer a more flexible approach to working with affordable providers, including sharing risk on sales and deferring construction payments, to enable schemes to be developed more cost effectively.

Regeneration schemes have for some time relied on private development but are nevertheless subject to the OJEU process for the selection of partners. We need to move towards a position where providers can develop schemes on their own initiative with around 70% private sale and 30% affordable rent or whatever mix can be shown to be required in a given locality with no grant.

We also need greater standardisation in terms of layouts and dwelling types with greater repetition, more rationalised building forms and detailing to enable cost effective design that facilitates offsite manufacture of larger elements or volumetric construction solutions.



Extra Care Charitable Trust - Village at New Oscott, Birmingham

Affordability Later in Life – the true cost of longevity

Current Housing Models

Staying Put

In order to facilitate 'staying put', aids and adaptations to existing properties will be required in conjunction with flexible home care services. At the same time, new homes must be built to more inclusive design standards.

The Lifetime Homes Standards currently define the criteria for inclusive design: however there is a case for a further review of these standards to ensure that the right balance is achieved between inclusivity and affordability. Alternatively, a new set of minimum standards could be included within the Local Standards Framework.

Assistive technology, such as lifestyle monitoring (e.g. telecare), together with a new generation of mobility aids such as mobility scooters will become increasingly important in supporting us to live independently in our own homes.

Independent Living

This is the broad term for retirement or sheltered housing where older people can live independently but together in the community. For this 'offer' to be attractive for downsizing, it must offer good quality, spacious, 'care ready' accommodation and should aspire to meeting the recommendations as set out in the HAPPI report³.

We need to explore new typologies for Independent Living developments such as higher density urban 'core & cluster' apartment blocks, high rise towers, deck/



Longhurst Group - St. Peters Way, West Lindsey, Lincs

gallery access developments etc, in order to offer a new 'Baby Boomer' generation of older people a genuine choice of locations and lifestyles and to avoid the stereotyping of older people's housing that we have become so familiar with.

If Independent Living schemes are to be attractive to younger older people, they must offer a range of tenure to safeguard the residents' financial investment and control through participation in the management of the development. Co-housing could represent the ultimate solution in this regard.

Extra Care/Assisted Living

A range of factors have combined to challenge the viability of the current extra care model where, on average, the communal, support and circulation space accounts for some 40% of the gross floor area.

With the decline in the numbers of Residential Care and Nursing Home places, there is a trend for local councils referring frailer and more dependent residents to extra care accommodation.

This can undermine the balance in resident dependency needed to maintain a vibrant and active community. As the resident group ages, the communal facilities become under-used and the accommodation becomes less attractive to more active older people.

The extra care model therefore needs to be adapted to become more affordable and responsive to its local context. Developments should be larger to justify a range of communal facilities and should be better located relative to local facilities, local community and transport. If this is achieved the facilities and services provided can be designed to avoid duplication and be shared with older people from the wider community.

Continuing Care & Resource Centres: Community Care HUBS

We need to refocus our local provision to cater for the rapidly increasing numbers of 'much older' people and those with dementia. In doing so, we should consider the efficiencies that can be delivered through 'continuing care' developments and 'community HUBS' that draw together a range of housing and care typologies on one site or in close proximity and thereby provide a base from which the needs of people in the wider community can be serviced.

A HUB can provide a community-based care delivery facility where the combined efforts of housing, health and adult care teams can be co-ordinated. Day Care, Rehabilitation (Intermediate Care) and Respite Accommodation are further elements that could be included in order to provide assistance to families and spouses who are caring for their relatives at home.

³ HAPPI – Housing our Ageing Population : Panel for Innovation – www.homesandcommunities.co.uk/housing-ageing-population-panel-innovation.htm

A HUB can also include a Resource Centre where information is assembled, held and disseminated to local residents regarding housing and care services in the vicinity. This should ideally be planned as a ‘drop-in’ facility, linked to a café or other attraction and well located for ‘passing trade’.

Optimise and recycle our building stock

With the current shortage of capital funding for new housing development, it is essential that we carefully review our existing housing stock so that we optimise its use. This process should also examine how housing that is currently not meeting the needs of one user group might be adapted at minimal cost to meet the needs of another.

Re-using and remodelling existing buildings should be actively promoted and facilitated by government policy and funding. It should not be penalised through taxation as is currently the case through attracting full VAT.

An essential aspect of remodelling must include upgrading the fabric to improve energy efficiency. With rising energy costs this is already a critical issue in terms of affordability for many older people who spend a much greater proportion of their time at home and are more susceptible to extremes in temperature.

Local councils and housing providers need to be more strategic in their asset management to maximise housing development opportunities through stock review, land disposal, cross-subsidies, intensification and redevelopment.

Address barriers in planning and land issues

Planning policy itself can constitute a major obstacle to the delivery of ‘housing with care provision’ falling as it does between the C2 (institutional) and C3 (residential) use classes. The latter can attract section 106 requirements requiring off-site contributions for affordable housing or other planning gain that can render developments with substantial communal provision unviable. As a consequence, the planning process becomes very protracted, expensive and fraught with risk for developers of retirement housing.

Land costs also present a significant obstacle for the developer of older persons housing due to the difficulty in competing with housebuilders on the open market when the product includes a very significant proportion of communal and support accommodation. Rather than simply disposing of their land to maximise a capital receipt, local councils should take a longer term view in terms of the social and financial benefits to their

constituents by allocating sites for older people’s housing at the heart of their neighbourhoods. The RICS is currently drafting a new guide in its Public Asset Management series, on disposals at less than best consideration. The guide will specifically address this issue.

Conclusions

Provision of appropriate housing will enhance the lives and help to meet the aspirations of many older people and at the same time can help to address the severe shortage of family housing whilst also serving as a catalyst for the regeneration of communities.

In the absence of significant future public sector funding, the housing industry has to find innovative ways of funding and delivering housing and care. This is a huge challenge but it also represents a major opportunity for housing developers, investors and funders to develop new models for attractive, sustainable and ‘care ready’ housing for a growing market.



North Hertfordshire Homes - Sheltered Housing Tenants Forum

Routes to Community Scale Retrofit

The Route

Where previous Housing Forum reports⁴ have examined the costs and benefits of sustainable retrofits to individual house types, Routes to Community Scale Retrofit charts the step changes needed to prepare for retrofit at scale.

Our approach is to anticipate the practical and operational consequences on housing providers, contractors and the supply chain as funding arrangements change from 2013 onwards. We set out in this report the considerations which need to be in place as we are likely to move to a repayment method for retrofit and as technology allows for community scale solutions.

Our view is that the route to community level retrofit is a constant process which differs from earlier mass programmes like decent homes. This will require a re-engineering of approaches to asset management which may be funding led or technology led and a realignment of the interests between different stakeholders.

⁴ Sustainable Improvement of the Existing Stock 2008 and Sustainable Refurbishment of the Existing Stock 2009
www.housingforum.org.uk

We have set out the route by:

- 🏠 A brief examination of the policy foothold
- 🏠 Mapping funding sources
- 🏠 Outlining the economics of retrofit
- 🏠 Charting the flow of retrofit measures from individual buildings to community scale
- 🏠 Considering motivation
- 🏠 Setting out how technical and funding routes lead to different outcomes
- 🏠 Taking the right route: compatibility and prioritising

and made the following Conclusions and Recommendations:

- 🏠 The subject of retrofit to housing is influenced as much by the motivations of residents and professional organisations as by the technologies involved or the economics of investment returns. These motivations can be influenced by tax incentives, but the balance between specific, 'coercive' obligations on professional bodies and cultural or financial incentives has yet to be struck.
- 🏠 Information availability and exchange is a critical driver of future behaviour. Thus, the growth of smart metering, tariff flexibility and easy measurement is considered important. In addition, publication of Energy Performance Certificates (EPC) or other dwelling measurements to a wider audience would assist the sharing of knowledge.
- 🏠 Energy supply companies have current obligations (CERT Carbon Emissions Reduction Target and CESP Community Energy Saving Programme) and incentives and the Green Deal funding proposal which is designed to follow can potentially play a key role in future retrofit. As with other sources of upfront finance for long term benefit, this can include underwriting appliance performance as, for example, end of life residual value. However, such single dwelling funding may not be efficient as a delivery mechanism for community-wide initiatives where carbon reductions may be higher.
- 🏠 Community level landlords (local councils and housing associations) have obligations and drivers to continue to improve stock. Many have already developed initiatives designed to make retrofit progress (e.g. Sustainable Housing Action Partnerships (SHAP) in the West Midlands). These initiatives, although varying across different areas, are seen as an appropriate model for funding and implementation – on a community scale but large enough to achieve scale economies.

- 🏠 All actions taken in respect of retrofit should reflect the uncertainty which surrounds the future values of energy, carbon, prices, etc. This is an area in which individual actions taken on property can easily result in distorted or perverse outcomes.
- 🏠 There is a hierarchy of retrofit improvement which favours 'Fabric First'. This flows from the breadth of the overall carbon reduction agenda which encompasses different – and unknown – carbon improvements from areas other than the built environment, for example that embedded in energy sources. As a result, a 'whole house' zero carbon approach which does not take into account future fluctuations and improvements in the carbon rating of future energy sources will almost certainly fail to achieve effective investment returns. However, under almost all scenarios, improvements to insulation and fabric will contribute to carbon reduction. Fabric improvement is the built environment's special and unique contribution.

The policy foothold

This working group has explored the issues raised by the challenge to improve the sustainability credentials of the existing housing stock – often referred to as 'Retrofit'. This report sets out a wider approach to retrofit prepared to take advantages of a new era.

The subject of retrofit to the existing stock is still fluid and has not yet crystallised as clearly as the codification of newbuild standards. As a result, this report addresses the options, the pressures and the uncertainties.



Routes to Community Scale Retrofit

The policy foothold for this subject stems from the requirement to achieve an 80% reduction in emissions of carbon from existing homes by 2050. However, carbon is a 'new' commodity with, as yet, limited useable credentials when compared with, say, energy or money. In addition, the division of this goal between the supply side (energy) and the demand side (usage) or between consumption volumes and efficiency gain remains hazy. Each of these can be considered in areas which are outside this brief, e.g. fuel pricing, decarbonisation of fuel or renewables; newbuild code improvements and the wider social and user behaviour.

Mapping funding sources

The funding environment is set to change with the arrival of Green Deal and Pay As You Save models. This in tandem with the new supplier obligation from 2013 onwards, means that retrofit project sources of funding will change. This may impact on what, where, and how retrofit can be funded. Specifically where projects cross over this transition some reprogramming or restructuring may be necessary.

Funding Sources Pre 2013

Fund Name	Dates funding available	Measures covered by funding
CERT (Carbon Emissions Reduction Target)	April 2008 – December 2012	Insulation measures
CESP (Community Energy Saving Programme)	September 2009 – December 2012	<ul style="list-style-type: none"> • Fabric measures • District heating • Heating systems • Other micro-generation • Home energy advice
FIT (Feed in Tariff)	April 2010 onwards. Tariffs will reduce from 2012 as capital costs reduce	<ul style="list-style-type: none"> • Solar PV • Wind turbines • Micro gas CHP • Hydro power • Anaerobic digestion gas generators
RHI (Renewable Heat Incentive)	Expected from June 2011	<p>The following included in the consultation:</p> <ul style="list-style-type: none"> • Biomass boilers • Air source heat pumps • Ground/water source heat pumps • Bio-liquid boiler • Biogas
ESCo (Energy Services Company)	Set up for each project	<ul style="list-style-type: none"> • Large combined heat power • District heat networks • Existing buildings where investments can be funded by future energy savings
ERDF (European Regional Development Fund) Projects	The current period 2007-2013	Medium scale retrofit projects
Other Regional Grants	Funding windows are constantly opening and closing	<p>Medium scale retrofit projects</p> <p>Examples include:</p> <ul style="list-style-type: none"> • Wood fuel infrastructure grants – 50% up to £100,000 • Bio-energy Capital Grants • Community Sustainable Energy Programme (CSEP) – 50% up to £50,000 for community renewable energy schemes

Funding Sources Post 2013

Fund Name	Dates funding available	Measures covered by funding
Green Deal PAYS (Pay as you Save models)	From Autumn 2012	The Green Deal will support all approved measures which meet the golden rule (savings should exceed the repayment charge and the charge should be repaid over their lifetime of the measure after any energy company subsidy/optional householder contribution is included). The list of approved measures is yet to be decided.
New Energy Company Obligation	From 2013 when CERT and CESP expire at the end of 2012	Supplement the Green Deal and provide funding to: <ul style="list-style-type: none"> • Hard to treat properties (such as solid wall insulation) • The fuel poor
Allowable Solutions (from zero carbon homes policy)	Trials from 2013 with full scale roll out from 2016	Local or national low carbon energy infrastructure, export of heat from the site, the retrofit of other buildings in the locality of the development

The ownership and tenure patterns of stock will vary from location to location and this may well determine the role landlords perceive for themselves in the implementation, delivery and scale of retrofit programmes. Are they passengers or one of the drivers, for example by becoming a Green Deal provider?

Mapping the Issues

The economics of retrofit will differ across a wide range of variables but to determine these it is necessary to align and overlay a series of issues relating to the stock characteristics, existing programmes, available funding and timescales to determine which funding combinations would be most suitable and how they might be delivered.



Hyde Housing / calfordseaden LLP - Forshore, Deptford

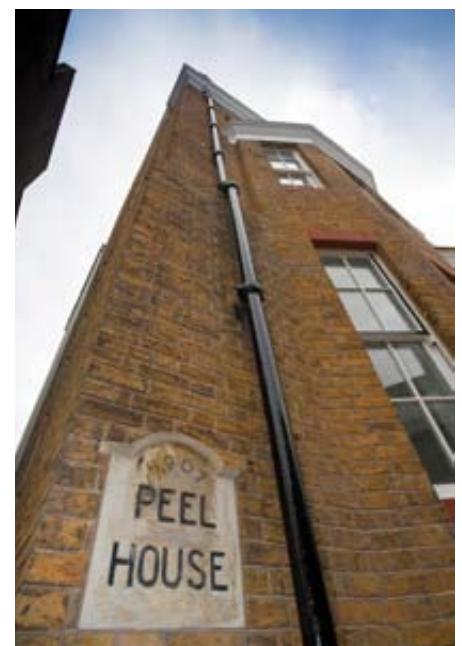
Methods of Delivery

Funding will affect the way in which retrofit is delivered. Different approaches within different units, tenure patterns and areas could lead to full retrofit over a period of time be it on a technically led whole house, funding led approach or area based (street by street area based or pepper potted) delivery pattern.

Outlining the economics of retrofit

Role of the Landlord

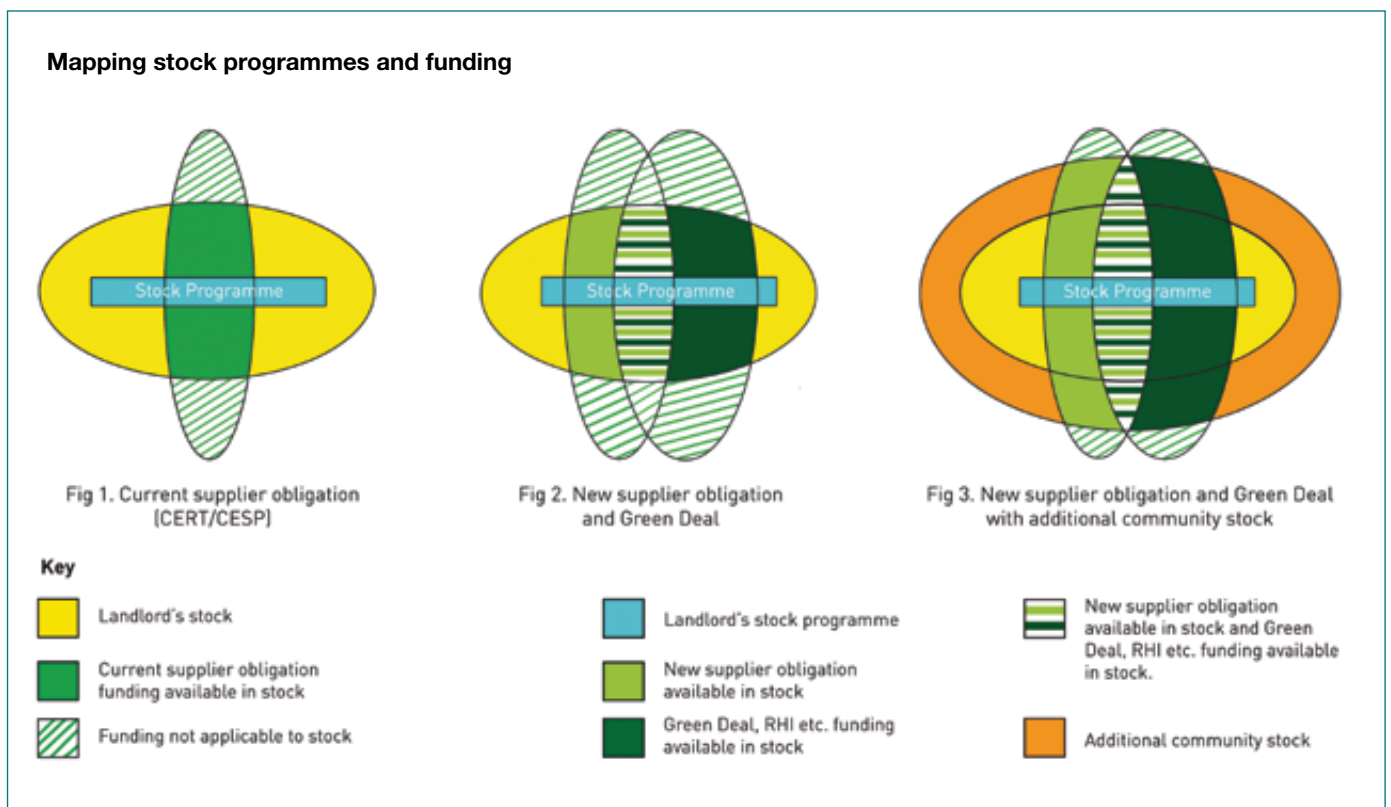
The economics and funding of individual or larger scale retrofits are inter-dependent upon a wide range of factors many of which are considered under motivations of other relevant parties and technology options.



Octavia Housing - Peel House

Routes to Community Scale Retrofit

In **figure 1**, a landlord's existing stock is shown by the yellow oval. Such overlaying may result in the re-scheduling of existing work programmes, represented by the blue bar, to align with available finance represented by the green oval. However, following available funding to deliver retrofit can lead to unexpected and unwanted consequences.



Throughout the periods under consideration, typically 15-25 years, the sources of funding will change. The current picture is becoming clear but there is a definitive watershed at the end of current supplier obligation arrangements and the start of the new Energy Company Obligation (ECO) and the Green Deal and this is likely to signal a move into repayment models of funding. **Figure 2** shows the wider availability of grant to a landlord within their stock and the overlap between the new ECO and Green Deal for some properties.

Key asset management data which includes individual unit and stock characteristics, current energy performance and currently understood energy improvement opportunities is vital. If an organisation sees itself as one of the drivers of retrofit this will need to be laid over wider tenure patterns and ownership and the motivations and requirements of these other stakeholders in this wider community stock and this wider grant availability is shown in **Figure 3**.

Many of the individual and collective property attributes will determine whether individual sources of funding or combinations of different funding streams are applicable. Whether retrofit works are technically led or funding led will also determine the level of 'fit' within existing plans and programmes of work.

Sequences of Work and Risk

Whatever paths are chosen it is likely that technologies will change and a fabric first approach with flexible fit services and some level of future

proofing will be vital to ensure potential avenues of income generation and finance are not closed off in the future.

If wider adoption of community scale retrofit and the funding of this through complex financial packages underpinned by private funding is to be successful, some de-risking of repayment and income streams from works will be vital. This may include approaches such as the aggregation of plans between landlords.

Value

Notwithstanding any other issues, all funding is likely to be in some way means tested to ensure that the most tonnes of carbon per £ invested are saved. This concept could be termed as ‘value carbon’ and methodologies using SAP improvement or other measures are likely to be used progressively to assess where finance is focused.

Landlords considering retrofit programmes using external funding sources in addition to their own finance will have to overlay various considerations and model these to determine a delivery programme. This plan should take account of:

- 🏠 The role of the landlord: passenger or driver?
- 🏠 Motivations of other stakeholders
- 🏠 Attributes and energy profile of existing stock
- 🏠 Existing programmes of work
- 🏠 Funding sources, mechanisms and timescales
- 🏠 What represents best value carbon?

Charting the flow of retrofit measures – from individual buildings to community scale

Levels of Application and Measures

There are a range of levels upon which retrofit can be enabled and implemented:

Unit dwelling

Measures applied independently of any other dwelling.

Building

Measures affecting the envelope containing a series of dwellings which impact on adjacent dwellings.

Street/District

Multiple dwellings and buildings which benefit from a combined system approach.

Community

Heat or power networks serving multiple streets beyond just the buildings being retrofitted.

District/National

Local or national policy that may affect the measurement of the dwellings without necessarily any work being carried out on the building.



Ian Williams

Routes to Community Scale Retrofit

The table below highlights a selection of retrofit measures and at what level they are applicable:

Measure	Level Applicable	Examples	Considerations
Fabric	Unit Building	<ul style="list-style-type: none"> • Cavity Wall Insulation • Insulated dry lining • Double/Triple Glazed Windows • Roof insulation • Air tightness enhancements 	<ul style="list-style-type: none"> • Solutions highly dependent on existing build • Lowers both energy demand and carbon emissions • Independent of other measures • High Priority • Becomes uneconomic once a certain level is reached • If carried out at a building level will need to co-ordinate with all dwellings
Heating	Unit Building	<ul style="list-style-type: none"> • Class A Boiler • Enhanced Controls • Flue Gas Heat Recovery • Waste Water Heat Recovery 	<ul style="list-style-type: none"> • Can be applied in most instances • May not be compatible with future heat networks
Renewables	Unit Building Street Community	<ul style="list-style-type: none"> • Solar Hot Water • Photovoltaics • Wind Turbines • Biomass 	<ul style="list-style-type: none"> • Feed in Tariff • Renewable Heat Incentive • Limited space may be available
Heat Pumps	Unit Building Street	<ul style="list-style-type: none"> • Ground Source Heat Pump • Air Source Heat Pump 	<ul style="list-style-type: none"> • Good in current non grid areas
Ventilation	Unit Building	<ul style="list-style-type: none"> • MVHR • Whole House Ventilation • Continuous Mechanical Ventilation 	<ul style="list-style-type: none"> • Can depend on feasibility of duct runs • Savings affected by user input
Communal Heating	Building Street Community	<ul style="list-style-type: none"> • CHP • Biomass • Anaerobic Digestion 	<ul style="list-style-type: none"> • Requires larger number of units to be feasible • Involves utilities • May be able to be carried out separately to other measures
Private Power Networks	Street Community	<ul style="list-style-type: none"> • PV • Wind turbines • CHP 	<ul style="list-style-type: none"> • Can be carried out separate to other measures
De-carbonised grid	National	<ul style="list-style-type: none"> • Off shore turbines • Tidal Generation • Nuclear Power 	<ul style="list-style-type: none"> • Would lead to a preference of electric heating solutions

Considering Motivation

Residents

There is growing consciousness that to be 'green' will become the norm but we will all need to receive a range of signals to nudge us to change habits and attitudes, including the use of advertising and education. Real-time visual displays of energy consumption (smart meters) and automated technology have the potential to reduce energy use but success in retrofitting occupied homes relies on solutions that minimise disruption.

Landlords

Social landlords are motivated to ensure that their assets are maintained within a controlled sub-market rental policy framework. Currently there is limited correlation between the investment in improvements and the rent charged. With limited funding and a changing investment regime, social landlords need to adopt a different approach to asset management.

Private landlords' principal drivers will be return on investment and effect on value of their assets. In a competitive market they may see retrofit as improving lettable and rental returns.

Investment in retrofit by social landlords may see a reduction in fuel consumption and consequently outgoings for residents but will not provide a return to landlords. The Feed in Tariff for renewable energy provides landlords with the potential to obtain a reasonable return. Standards such as Building Regulations ensure that new construction and refurbishment is undertaken to a minimum standard.

Energy Suppliers

As private companies, energy suppliers look to increase shareholder value and profitability. Increasing their customer base and reducing loss of customers are significant motivators. Two obligations are placed on energy suppliers; CERT (Carbon Emissions Reduction Target) and CESP (Community Energy Saving Programme).

Retrofit provides a new business stream and supports the obligation placed on suppliers to reduce carbon emissions, by being seen to be active in support of customers to provide advice and enable them to benefit from retrofit builds customer loyalty.

A recent obligation placed on suppliers is the requirement to include on their customers' energy bills a comparison with local average usage. Greater impact would be achieved if the comparison were in monetary terms and compared to similar sized local property.



WM Housing Group - Coventry Tower

Supply Chain

The supply chain encompasses contractors, consultants and material suppliers. They share motivations of profitability, potential growth and competitive edge. Additionally:

- 🏠 **Contractors** – see retrofit as a new business stream that supports their corporate responsibility credentials. They seek long term contracts to build relationships with customers and their material suppliers to benefit from economies of scale. Long contracts incentivise contractors to invest in resources and support training.
- 🏠 **Consultants** – share many of the contractors' motivations and see the learning necessary to become involved in retrofit as supporting professional development and to shape new approaches.
- 🏠 **Material Suppliers** – see retrofit as creating the potential for the development of new products to create new markets and improve market share.

Using the Demonstration Project approach

Affinity Sutton have launched a £1.2 million pilot programme, retrofitting 102 properties across the country and representing 22 different house types. The FutureFit Housing Forum Demonstration Project investigates the most suitable package of retrofit works for each house type. FutureFit will explore how to engage with residents on the issues of retrofit and energy efficiency and which financial models

Routes to Community Scale Retrofit

will enable Affinity Sutton to deliver future low carbon improvements across their national stock portfolio. The aim is to prepare the asset management strategy for the future.

Octavia Housing has a Housing Forum Demonstration Project – 100 Princedale Road, London W11. In this occupied

‘typical’ solid wall Victorian terrace, Octavia aim to cut CO₂ emissions by 83% and energy consumption by 94% and save the tenant £910 p.a. This project is supported by a knowledge transfer package of photographic narrative, cost information and technical aid energy modelling data.

Taking the right route: compatibility and prioritising

As an example - installing a gas based heating system when a district low carbon heat network is planned. It may not then be feasible to connect into that network later. For a building or street level retrofit it may be prudent to install a gas based centralised network initially that will be easy to adapt.

The current condition will be critical in decision making and an appraisal should be carried out first. A new gas boiler replacing a highly inefficient ageing boiler is a sensible priority compared to where a new condensing boiler has been installed more recently.

Whatever the technology chosen, fabric should be the first consideration as it is possible to carry out independently of the other measures. Fabric is the priority in the energy hierarchy and the first step should be to insulate to the best level that is economically sensible to achieve.

Energy vs. Carbon

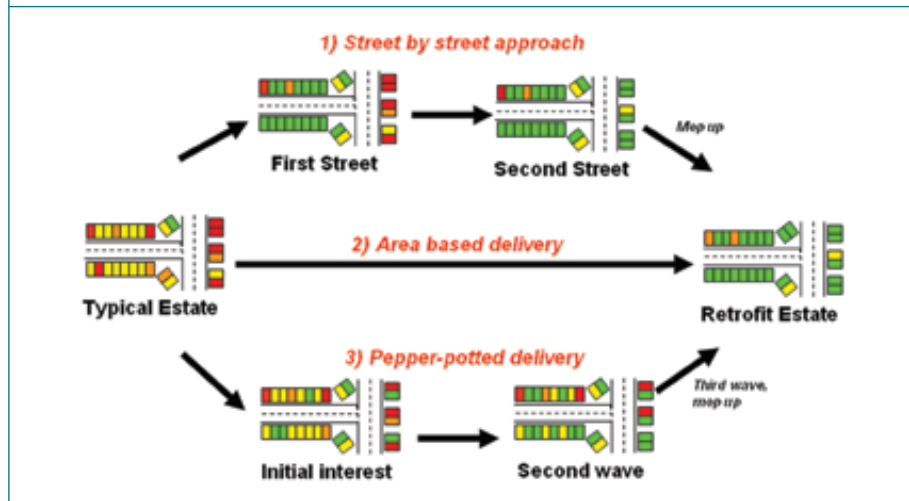
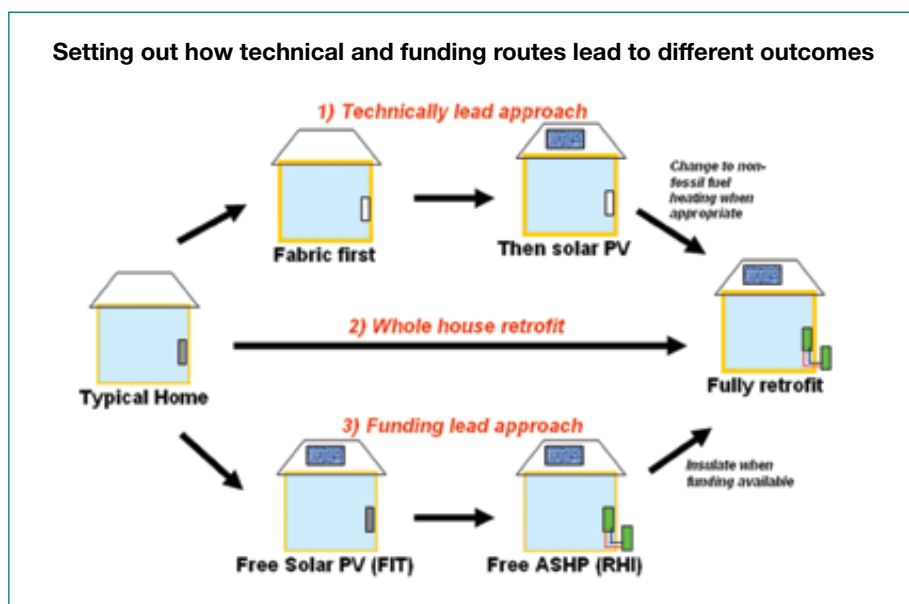
Current legislation is based around lowering carbon emissions. In the retrofit market there are many energy saving measures that could be installed that will save energy and carbon, but some measures save more carbon than reduce running costs for the end user.



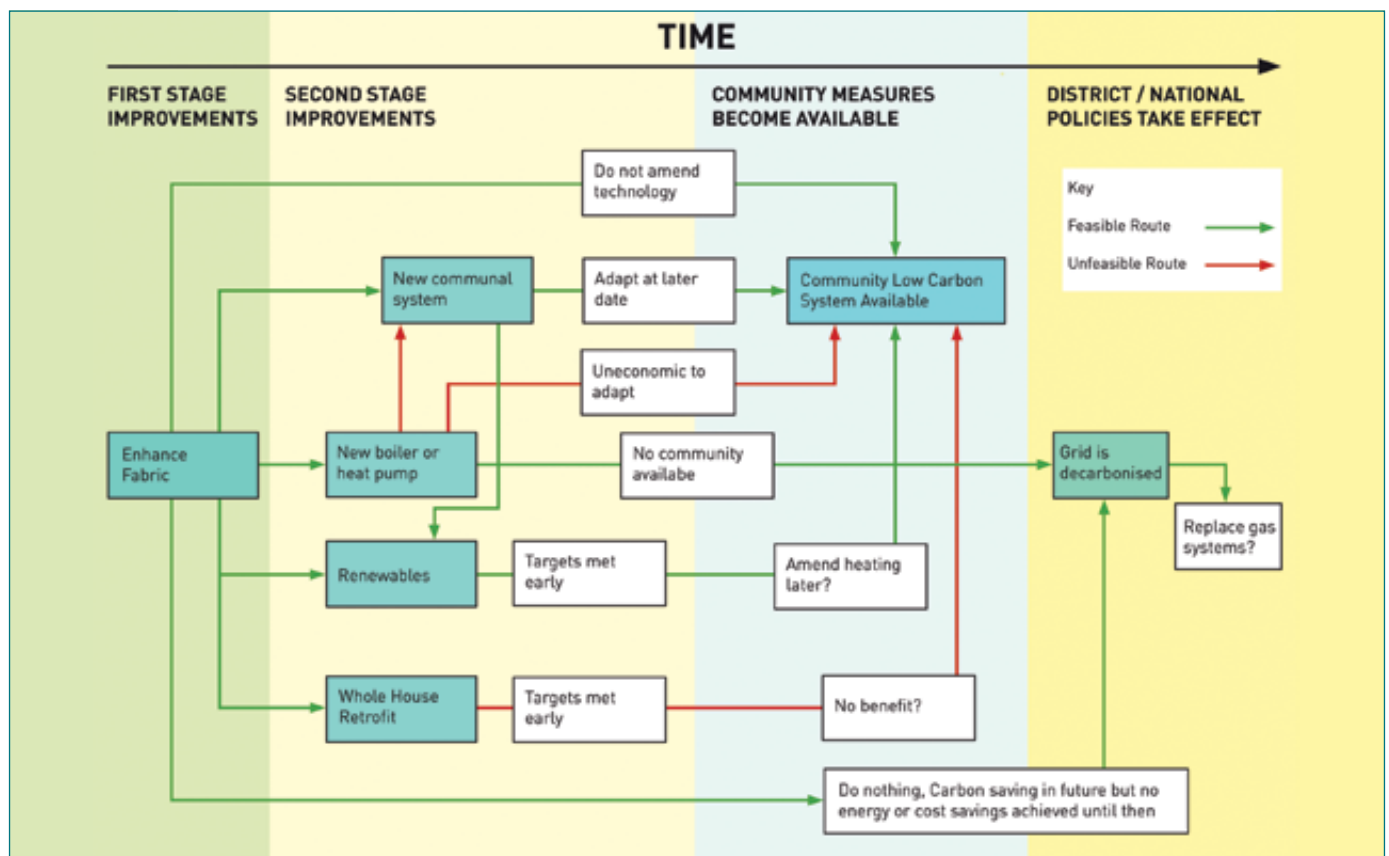
Swish Building Products

For updates on Housing Forum Demonstration Projects visit:

www.housingforum.org.uk



Options for Routes to Achieve Low Carbon Community Level Retrofit and their Feasibility



Future Technologies

There are new technologies that will affect the retrofit housing market in the future which may be worth recognising when long term planning to ensure any works do not undermine the ability to take advantage of these at a later date. Such technologies encompass Energy Storage Devices and Fuel Cells as well as improvements in efficiencies of existing technologies.

Measurement and Targets

If we are to move the agenda forward we need to measure improvements and set targets, for example, all dwellings to achieve a minimum SAP band by a certain date?

For:

- 🏠 Gives funders something to ensure value for money
- 🏠 Gives stakeholders a way of measuring progress against CO₂ reduction targets
- 🏠 Ensures appropriate and consistent approach

Against:

- 🏠 Increases administration and costs
- 🏠 Could limit creativity
- 🏠 No one single solution
- 🏠 How to manage on an ongoing basis when standards change
- 🏠 Not applicable/affordable on owner occupier scale
- 🏠 May lead to inappropriate measures being installed to reach the target

Routes to Community Scale Retrofit

And given the above, rather than a quantitative target, it would be preferential to a set of guidelines to work to. These should be based on proven and feasible measures and applications and follow the fabric first approach. They should include a checklist to be taken during planning, for example, consider future connectivity and implications of a greener grid.

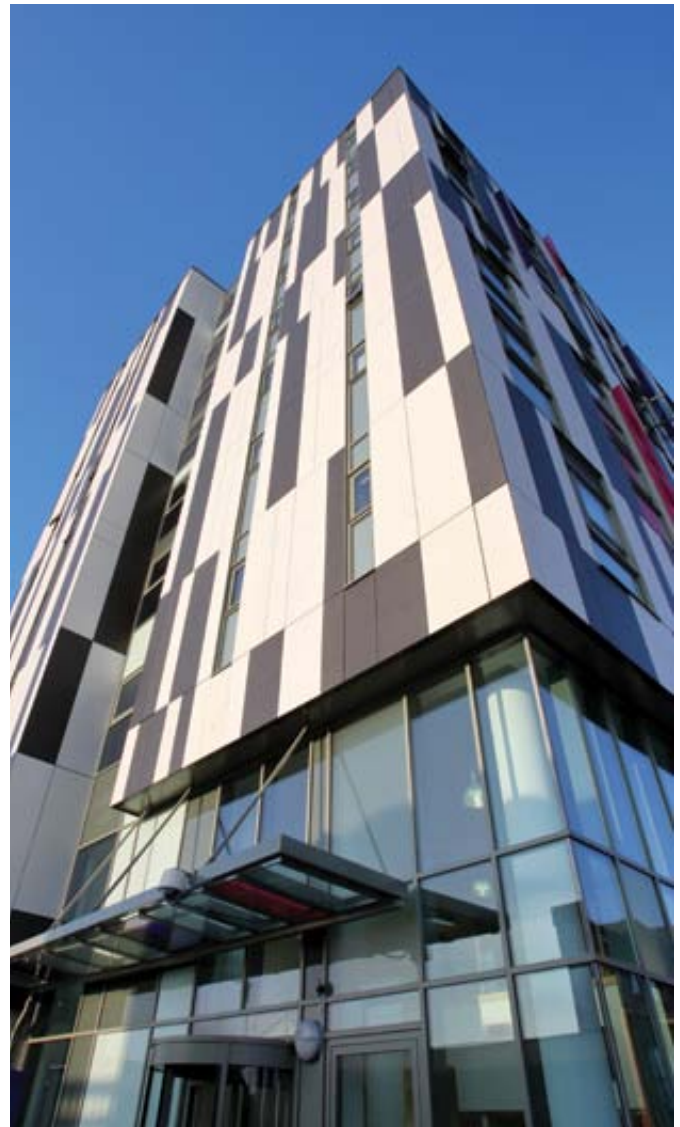


Lovell Partnerships

What Happens Next?

The Housing Forum needs to continue to state the case for 'more homes and better homes.'

- 🏠 We will use our cross-industry strength and practical advice through 'Toolkits' on our website to show how to make the planning reforms work.
- 🏠 Good and easily understandable evidence is needed at a local level to help communities understand housing requirements.
- 🏠 The Housing Forum will develop its knowledge base to include assessments of industry-led bond schemes for investment in housing schemes.
- 🏠 A more flexible approach to affordable rent housing development in lower value areas will be examined through The Housing Forum's Demonstration Project Programme.
- 🏠 The Housing Forum will bring its cross-industry business perspective to define newer versions of housing management for mixed value areas.
- 🏠 There are anticipated to be major changes in the way housing for older people is sourced and paid for and we will support a cross-sector approach to provision.
- 🏠 There is a role for housing associations in offering wider rented choice models for the elderly.
- 🏠 Accessible neighbourhoods and upgrading existing properties will offer more housing choice to older people.
- 🏠 Our series of studies on retrofitting the existing housing stock set out the critical issues of understanding consumer and industry motivation towards sustainability in housing.
- 🏠 We set out the routes and considerations in terms of funding and programming options that need to be incorporated into refurbishment decisions.
- 🏠 Approaches will need to take account of future fluctuations in the improvement of the carbon rating of future energy sources.



East Thames Group - Barking & Dagenham Foyer

Finally – and to set a context for future investment decisions we have included reference to the Department of Communities and Local Government's projections of household formation.

DCLG Household Projections 2008-2033

DCLG released its 2008-based household projections for the years 2008-2033, on 26 November 2010. The projections are an important part of evidence base for the assessment and planning of future housing requirements and associated services. The projections are available at national, regional and local authority level. The headline results are as follows:

- 🏠 The **number of households** in England is projected to grow to 27.5 million in 2033, an increase of 5.8 million (27%) over 2008, or 232,000 households per year.
- 🏠 **One person** households are projected to increase by 159,000 per year, equating to two-thirds of the increase in households.
- 🏠 By 2033, 19% of the household population of England is projected to **live alone**, compared with 14 per cent in 2008.
- 🏠 By 2033, 33% of households will be headed by those **aged 65 or over**, up from 26 per cent in 2008.
- 🏠 The average **household size** is expected to decrease from 2.33 persons per household in 2008 to 2.16 persons per household in 2033.

The DCLG release can be found here:

www.communities.gov.uk/publications/corporate/statistics/2033household1110

The live tables (including district-level projections) are here:

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/householdestimates/livatables-households>

Detailed spreadsheets (for modelling/analytical purposes) can be found here:

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/householdestimates/detaileddatadownloads>



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