

CODE FOR SUSTAINABLE HOMES COST IMPLICATIONS FOR NEW BUILD

Report of the Director of Investment and Regeneration

1. SUMMARY

This report sets out the cost differences when building new homes at higher standards than the minimum required by the Homes and Communities Agency (HCA). It also explores the benefits to tenants of building more energy efficient homes and the advantages gained by using the standards when bidding for funding for new build.

2. RECOMMENDATION

- 2.1 That where financially possible, Derby Homes continues to use Code for Sustainable Homes Level 4 as the benchmark for new build developments where they are contained within a system price, and
- 2.2 Where traditional tendered developments are being considered, prices should be sought for both Code 3 and Code 4 developments.

3. MATTER FOR CONSIDERATION

- 3.1 Previous new build developments by Derby Homes and Derby City Council have used Code for Sustainable Homes Level 4 as the minimum standard for energy efficiency of rented properties. This was a policy adopted by the Development & Regeneration Committee in January 2008. The main differences between the Code for Sustainable Homes Levels are outlined in Appendix 1. Following the completion of new build across 6 sites with differing new build standards, the following cost observations can be made.
- 3.2 Code 3 additional costs are reasonably negligible now that a large amount of its requirements are being moved into Building Regulations. Although we have not built Code 3 houses the estimate is that it could add £2-3k, assuming an upgrade from Building Regulations on a traditional build. As this is a requirement for HCA funding, no future bids would succeed without committing to at least Code 3.
- 3.3 Recent measured quantities for Code 4 show an increase in costs of £7,500 per unit over the cost of developing to Building Regulations. There are a number of different approaches under the Code and the increased cost is highlighted where the higher standard is seen as a change in specification away from standard building regulations. Where there is a system built proposal like the Evolve system from Bramall, the price uplift is lost in the overall unit cost of approximately £79,000

as the system is designed to Code 4 as standard. The main advantage in building to Code 4 in the past has been the support shown by the HCA locally when assessing the bids. It has been seen as a competitive advantage when evaluating schemes, although this is not a national requirement and other ALMOs, Councils and Housing Associations have developed at Level 3

3.4 In terms of Code 5, we have established the extra costs at Elton Road were £15,975 and at Cowsley it was £20,601. Looking to future developments the affordable programme from the HCA is likely to fund schemes at a rate of approximately 30%. If the additional costs of Code 5 continue at £16-20K it will only be supported by an extra £4.8 – 6K additional grant above that received by a Code 4 house. Where the development is supported by borrowing this will severely constrict the viability of a scheme.

3.5 If the costs of the Evolve Code 4 development are used then a comparison can be seen below:

Evolve Base Cost (Code 4) £79,000		Evolve Base Cost Plus Uplift to Code 5 £99,000	
Grant @ 30%	Borrowing Required	Grant @ 30%	Borrowing Required
£23,700	£55,300	£29,700	£69,300

The borrowing required for the Code 4 Evolve house may be supported from the affordable rent but it will be increasingly difficult to support borrowing for the Code 5 house from the available rent.

4. ENVIRONMENTAL IMPLICATIONS

Higher standards in energy efficiency will reduce the environmental impact of new build housing, and reduce the energy costs to tenants.

The areas listed below have no implications directly arising from this report:

- Consultation
- Financial and Business Plan
- Legal and Confidentiality
- Personnel
- Equalities Impact Assessment
- Health & Safety
- Risk
- Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

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Background Information: None.

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The Code for Sustainable Homes

The Code for Sustainable Homes is the national standard for designing new homes. By measuring the sustainability of the design and construction of a building, the aim is to improve energy performance.

The Code requires higher standards of compliance than the Building Regulations and the homebuilding industry by providing greater regulatory certainty.

The Code's nine measurement categories

The Code measures the home as a whole and assesses sustainability in the following categories:

- energy/CO2
- water
- materials
- surface water run-off
- waste
- pollution
- health and well-being
- management
- ecology

The star rating system

The Code uses a star rating system to show how a new home performs in terms of sustainability and energy efficiency. It sets minimum standards for energy and water use at each level. This gives home buyers valuable information when looking at homes and allows builders to display their sustainability credentials.

The levels of energy efficiency for the Code are:

- 1-3 stars - 0 per cent, as only compliance with Part L 2010 is required
- 4 star - 25 per cent
- 5 star - 100 per cent
- 6 star - net zero carbon emissions