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## Environmental incentives to support sustainable new homes

Consultation response from The Housing Forum

### **Response submitted by:**

██████████, Director of Policy and Public Affairs

On behalf of [The Housing Forum](https://www.housingforum.org.uk), 1 Minster Court, Mincing Lane, London EC3R 7AA

██████████ or [info@housingforum.org.uk](mailto:info@housingforum.org.uk). ██████████.

info@  
housingforum.org.uk

### **About The Housing Forum**

The Housing Forum is the UK's cross-sector, industry-wide organisation that represents the entire housing supply chain. Our growing membership drawn from over 150 organisations across the public and private sectors and includes local authorities, housing associations, housebuilders, architects and manufacturers. All share our determination to drive quality in the design, construction and decarbonisation of UK homes. They have a commitment to partnership working and share in our vision of 'A Quality Home for All'.

In order to achieve this, we have advocate for policy change needed for everyone to live in a good quality, sustainable and affordable home. Our key [Housing Solutions](#) set out how we think this can be achieved.

The Housing Forum Ltd  
6 Floor, 1 Minster Court  
Mincing Lane  
London EC3R 7AA

Registered Company  
Number 03785174

## Introduction

We are pleased to respond to Ofwat's consultation on changes to their charging rules in the form of a common framework for water companies to offer stronger and more standardised environmental incentives to developers to encourage them to build new homes that are more water efficient and with sustainable drainage.

The current pattern of environmental incentives for water-efficiency and sustainable drainage is patchy and a clearer and more consistent framework would be helpful.

As Ofwat will be aware, water shortages are currently a big problem across many parts of the country and newbuild housing is bearing the brunt of this.

We are concerned about the requirement for newbuild housing to ensure 'water neutrality' for two reasons:

- It is people who use water and not houses – so, taking a country-wide perspective new housing has no net impact on water consumption, as it simply relocates people and water-usage from one location to another.
- On a local level, new housing does generate water-demand, and can never be water-neutral. What is meant by 'water neutrality' is essentially a developer-funded offsetting scheme, which would be a clearer term to use.

Whilst we support incentives to encourage reduced water usage and sustainable drainage, it is not realistic nor fair to expect new housebuilding to fully-fund the water-saving measures or investment in new water infrastructure that is required to meet the needs of a growing population. It is therefore essential that Ofwat and the Government invest across all water users to incentivise lower usage, regulate against higher usage where feasible and invest in infrastructure to ensure that there is capacity to support housebuilding in areas where new housing is needed.

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## Response to questions

### Q1 Do you agree with our proposed aim for environmental incentives?

The Housing Forum agrees with the proposed aim for incentives to be used to encourage the development of water-efficient homes. This will reduce pressure on water supplies.

### Q2 Do you have any comments on the characteristics of good environmental incentives?

Good environmental incentives should be:

- Consistent across areas. This is especially important for developers and manufacturers of water-efficient technologies who work across large areas of the country as they can innovate to respond more effectively to the incentives. A standardised approach would also be helpful for housing associations and local authorities who commission housing who may want to write requirements for water efficiency measures into their brief when commissioning housebuilding – thus requiring the housebuilders to build to higher standards (ensuring water efficiency and lower bills for customers)
- Proportional to the additional costs required to meet them. For instance, discount of a few hundred may not be sufficient to encourage adoption of a technology which costs many thousands of pounds to install. The ongoing costs of maintenance should be considered here, as well as the upfront costs, as well as the possibility of future technological changes.
- Incentivise the behaviours that are most beneficial to the policy objective in mind. A technology that saves more water should attract a higher subsidy than one that saves little.
- Well-evidenced, to ensure that savings from incentivised technologies do achieve their intended objective, with evidence that includes real-world performance and householder behaviour. For instance, the distinction between green and blue roofs should reflect evidence on actual water volume run-off capacity. This may be an ideal opportunity to use smart technologies with SuDS that are commonly used to measure the run-off into sewer systems to provide evidence-based data.
- Focussed on areas where regulation is less appropriate.
- Monitored in such a way that ensures fairness and compliance. For instance, appliance restricted flow rates need to be policed whilst UK/EU/ROW standards comply with reduced flow rates. There can also be issues when householders choose to replace water-efficient appliances with those that give a better user-experience.

### Q3 Do you have any comments on the extent to which any environmental incentives could or should be adapted for implementation in Wales?

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Consistency of regime across both Wales and England would be very helpful to manufacturers who often sell to both markets.

#### **Q4 Do you have any comments on the case studies outlined?**

The Housing Forum has two main comments:

There is a clear need for consistency between the requirements being put in place by different agencies, including Local Planning Authorities. The case studies highlight a few examples of where different standards are being applied by different agencies.

There is a danger of focusing too much on newbuild housing to try to address water shortages. It is fundamentally people who use water (not housing) and a growth in the population will result in increased demand for water, unless incentives to use less are introduced across all types of water usage including non-residential buildings, farming and existing housing – the majority of people in 2050 will be living in homes that are already built. Reducing the water usage in these homes would have a bigger impact on overall water usage, as well as reducing the costs of water on household budgets.

#### **Q5 Do you have any comments on our proposed standardised incentive tiers?**

The Housing Forum supports the common framework and think that the tiered approach is appropriate.

We have some concerns about the term ‘water neutrality’ for two reasons:

- It is people who use water and not houses – so, taking a country-wide perspective new housing has no net impact on water consumption, as it simply relocates people and water-usage from one location to another.
- On a local level, new housing does generate water-demand, and can never be water-neutral. What is meant by ‘water neutrality’ is essentially a developer-funded offsetting scheme, which would be a clearer term to use.

#### **Q6 Do you have any comments on our proposal for a common methodology / technical standards to assess water efficiency?**

A common methodology and technical standards is the best way to provide consistency across industry.

#### **Q7 Do you have any comments on the details of our proposal for companies to offer bespoke incentives?**

There may be some occasions where a water company wants to offer additional incentives that work in their local area, or where they want to encourage trialling of new technologies, which are not yet well enough developed and evidenced to be included in the common methodology. These should be permitted, as long as they are additional and not a replacement to the common methodology.

#### **Q8 Do you have any comments on the potential for reputational incentives?**

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There is a potential value to reputational incentives, in the form of reliable labelling. For this information to be useful, the labelling needs to highlight both the estimated water consumption, and the estimates of the costs of water for the average household.

Social landlords would also appreciate this information as they are concerned about the affordability of housing, including water bills, for their residents. It would be particularly useful to them when making choices around the relative costs and benefits of technologies that save water and those that reduce other utility costs, such as heating.

**Q9 We seek views on how the process for agreeing and paying environmental incentives might best be organised in practice, and whether this is consistent with existing developer services processes.**

Tying it in with the building controls approval stage, prior to occupation would seem the best approach.

**Q10 Do you have any comments on how high levels of compliance with the incentive technical standards might best be achieved?**

This should be monitored via the building control approval process. A random or structured sampling approach could be used for larger developments using the same technology.

**Q11 Do you have views on whether environmental incentives are best funded as an environmental component of the infrastructure charge or as a separate charge?**

It would be clearer and more transparent if the extra charge to cover the costs of the environmental incentives is itemised and charged separately.

We would also point out that the principles being applied here – of not cross-subsidising one group of customers from another – is not necessarily the right one to use when considering the relative burdens upon residents of existing properties and residents of newbuild housing. The proposals here mean that the costs of improving water infrastructure is falling entirely upon the buyers of new housing. The requirement for improved water infrastructure arises largely because of a growing population (including increased longevity). It would therefore be fair for the costs of this to fall upon all consumers, and not just on those buying new housing – disproportionately hitting younger people and also social landlords providing affordable housing.

**Q12 Do you have any comments on our proposal for guidance issued under the charging rules and how they are developed and maintained?**

This should lie within the remit of Ofwat.

**Q13 Do you have any comments on our approach for managing interactions with the regulatory framework?**

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This should lie within the remit of Ofwat. It will need to be kept updated as technologies emerge.

## Conclusion

Overall, we support the proposed development of a common framework for water companies to offer stronger and more standardised environmental incentives to encourage the development of new homes that are more water efficient and with sustainable drainage.

This should form part of a wider package of measures to ensure that there is sufficient water to support the development of new housing where it is required to support our growing population.

We look forward to working with Government at The Housing Forum to help take forward the ambition of 300,000 new homes a year, and work towards our ambition of a **Quality Home for All**. Our key [Housing Solutions](#) set out how we think this can be achieved.

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