

CONSULTATION RESPONSE



HBF Comments on OFT Draft Questionnaire for House Builders

29 October 2007

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HBF would like to make the following comments on the draft questions for House Builders. References to question numbers relate to the draft questionnaire as sent to HBF on 18th October.

Q1 OK

Q2 OK

Q3 Are subsidiary businesses housebuilding companies or any other trading company within the group?

Q4 OK

Q5 OK

Q6 OK

Q7 Not all companies have trading years to the end of March. Thus, it is difficult to provide the information for the period specified. It would, therefore, be easier to refer to the companies last full year trading figures and to specify the period to which the figures refer. This is especially true of all of the other information to be provided which would be possible if related to trading year but far more difficult and time consuming if having to create, in many cases, an artificial year ending 31st March 2007.

Q8 It should be made clear that the regions referred to are contiguous with Government Office (or regional assembly) regions. Many housebuilders operate on a regional basis using boundaries other than those defined by government.

Q9 HBF is actually the Home Builders Federation, not House.

The House Builders Association (HBA) is actually a subset of the National Federation of Builders

The Construction Employers Federation is actually the Constructors Confederation

Two other popular trade federations for housebuilders that should be included in the list are the British Property Federation and the Confederation of British Industry.

- Q10 The HBF Code of Conduct should be referred to as the HBF Customer Service Code of Conduct
- Q11 An additional option of "Not a member of HBF" should be included.
- Q12 LABC have only just set up their own warranty provider. Therefore, take up is currently very low.
- Q13 OK
- Q14 This question does not flow correctly to either Q15 or Q16. While each question is Yes/No it is really asking whether or not the cost of the warranty is a non-visible element of the purchase price or whether it is specifically identified as such to the purchaser. The question should be answered as an either/or question with the two choices.
- Q15 Warranties are an important part of the sale of a new dwelling. Therefore, this question should be about more than just the cost of the warranty. It should include questions about the amount of detail about the warranty that is passed on to the purchaser, how much explanation is given of the complaints procedure that is in place and the claims procedure. All of the options within the question could be used but should refer to this wider explanatory role.
- Q16
- 18 These three questions are related to Building Regulations and should thus be under Section 3 rather than Section 2, which relates specifically to warranty issues.
- Q16 All new dwellings conform to the building regulations. Without such compliance a completion certificate cannot be issued and a sale cannot be made. This question is, therefore, unnecessary and should be deleted.
- Q17 Given the comment on question 16 above, the focus for this question should be which developments in building control changes have caused the most difficulties to solve in order to comply? HBF would suggest that the question should either be totally open ended to give respondents as much scope as possible to list as many regulations as they wish, or, if this is too difficult for coding purposes of the results, OFT should suggest a comprehensive list of those regulations which we know have caused the industry the biggest challenges. These are issues such as soundproofing, air tightness and energy use.
- Q18 See above
- Q19 HBF is not aware that Zurich Municipal provides Building Control services.

Q20
- Q22 OK

Q23 This question is related to warranties and should be contained within Section 2.

The question should be much more specific and refer to valid claims. Many invalid claims, not covered by the warranty are, nevertheless, dealt with by the builder and these should also be accounted for in an additional question.

Q24

- Q28 HBF does not believe that these questions allow for a full explanation of how standard contract terms and guidelines are used with respect of private purchasers and investor companies. Nor do they allow explanation of how the contracts are amended, for example, at the request of the purchaser rather than the housebuilder. This should be addressed.

Q28 The time period for this question should be consistent with that of Q7 which, we have suggested, should be the last complete trading year for the company.

Q29 It is highly unlikely that any respondent will ever have fixed prices that are not open to negotiation.

Q30 Incentives are all monetary incentives in that they reduce the additional costs of the purchasers. They are not, as implied by the question, "hidden". Indeed, many such incentives are used in marketing campaigns and converted into typical monetary savings for the purchaser. The question should be a wider issue about the incentives offered and the value of these to the customer.

Q31 OK

Q32 The term "complete" is ambiguous in so far as it could refer to build completion (which has its own set of problems and delays) or legal completion of a sale (which has its own, different set of problems). If trying to pick up both sets of issues the question should refer to completion of sales (including building delays). However, it would be better to separate the question into the two constituent parts since both are important factors in their own right.

Q33 There is no standard calculation of moving in dates. This date will often be provided as a provisional date that will not be firmed up until more detailed information becomes available, often not until exchange of contracts. This should be reflected in the question, which should be in two parts, addressing provisional dates and actual contractual dates.

Q34 Again, the time period should be consistent with Q7.

However, given the explanation to question 33, in terms of contractual moving in dates the proportion of dates met will be very high. Whether or not this meets the initial estimate should be addressed through Q33.

Q35 As above, this question should relate to the legal completion date agreed within the contract.

- Q36 The definition of "off plan" should be clearly defined. Almost all houses are reserved before they are "completed" under the strictest of definitions such as building control completion certification. Indeed, most new dwelling purchasers will exchange contracts prior to this formal completion stage. The definition should refer to a discrete stage of the construction depending upon the reason behind the question. It might be better to ask the question as what proportion of dwellings are reserved at key stages of the construction process to get an overall picture of how customers can affect the building of their future home.
- Q37 The deposit stage of a house purchase is frequently a contractual deposit, standard in almost all housing transactions, not just new build. The term "contractual deposit should, therefore, be used.
- Q38 It is unclear as to whether this question is seeking to determine what charge is made rather than how it is set. This should be clarified.
- Q39 As question 38.
- Q40 Refund of deposit OK
- Q41 The circumstances of why refunds are given are of interest. However, it should also be open to respondents to explain why refunds are not given if Q40 is "No".
- Q42 Refund of reservation fees OK
- Q43 As Q41. Reasons for answering "No" to Q42 should be given.
- Q44 The recommendation of legal advisers is frequently at the request of the purchaser. The circumstances of how and why such recommendations are made should be included in the question.
- Q45 One of the most common quality assurance systems is a detailed handover procedure with the sales team and, eventually, the customer. This should be included as one of the options within the question.
- Q46 This question should also include the question of what guidance is given to purchasers of the company policy and when this information is presented to them.
- Q47
- 48 These questions are difficult to answer in such an abstract way. NHBC materials lifespan requirements are 60 years. Other standards exist and are used widely throughout the industry. It is, therefore, unclear as to the purpose of the questions in relation to the market study.
- Q49 Most housebuilders have very comprehensive after sales services yet the question only lists either 24 hour response or regular visits before a specific answer must be given. It would, therefore, be better to leave this question completely open to allow companies to explain their after sales procedures in some detail, even providing their consumer literature on the issue as with Q46
- Q50 OK

- Q51 OK
- Q52 The timescale for this question should be consistent with Q7.
- Q53 The resolution of complaints that are signed off as fully resolved to the customer's satisfaction is difficult to quantify with documentary evidence. The question should relate to other factors such as response time, number of recurrent problems and repeat complainants, not complaints.
- Q54 This question should be explained in a more comprehensive way through answers and evidence of companies' complaints procedures given in answer to Q51
- Q55 This question does not address whether or not the complaint was dealt with once or many times throughout the period it took to fully resolve. The addition of a further sub section should address how many times the complaint was tried to be resolved.
- Q56 Many common complaints received from customers are not within the power of the developer to address (car parking, neighbours etc). Each complaint should, therefore, have a box attached to tick if the complaint was not within the remit of the developer to address.
- Q57 The timescale should be consistent with Q7.
- The list of just four factors is considered to be too short in terms of public facilities. It is also not clear (as with Q56) as to whether this question relates to all complaints received or just those that are actually the responsibility of the housebuilder. This should be reflected within the question.
- Q58 This question is proportional and must, therefore, be cross-referenced back to the actual number of complaints received in any one year (Q52).
- Q59 OK
- Q50
- 59 Overall this entire section is a very negative view of customer satisfaction, focusing as it does on complaints rather than satisfaction levels. Reciprocal questions should be included which ask details about customer satisfaction levels generally and participation in customer satisfaction surveys and procedures.
- Q60 This question relates to a phenomenon that housebuilders became very frustrated with, ie: that local planning authorities began to refuse planning applications within 13 weeks rather than seek to iron out minor problems. Similarly, once applications had gone over 13 weeks they became part of the 40% of applications that were not meeting the government target and they became low priority for determination due to the fact that there was no backstop position. Determination within 14 weeks or 14 months made no difference to the LPA returns against target.

This question is, therefore, likely to be prejudicial to a clear understanding by housebuilders as to its assessment of whether determination periods are appropriate. The solutions are similarly more complex than the bald appraisal of whether or not such targets are appropriate or not.

The term "major" should be defined as 10+ units to avoid any misunderstanding of what constitutes a major application.

- Q61 Obviously the first column should be "Unhelpful". However, this question allows no explanation of the reasons behind the answers given. Thus, opinions may vary widely dependant on one's first hand experience of each of the initiatives rather than an appraisal of the service as a whole.

An additional option of "No Impact" should be included.

- Q62 Each of the factors hides both positive and negative elements of efficiency and delay at different stages of the planning process. The system itself is very complex and the simplistic approach of the topics and scale (from not significant to very significant) is not considered to be truly reflective of the intricate planning process.

LPA staff capacity should be split into planning and admin/legal staff, both of which have different impacts on the application process.

- Q63 The chosen date of 1970 is curious. It will also be difficult to determine in the light of company buyouts, rebranding etc.

- Q64 This question carries little meaning to the national housebuilders who will have ticked all boxes in response to Question 8.

One of the main barriers to expansion that should be listed is the certainty of the ability to obtain implementable planning consents. This is not adequately reflected in the term "Access to Land".

Many of the categories are not self-explanatory and should be more clearly defined to ensure that misunderstanding does not occur.

Q65

- 66 Having previously sought to obtain land ownership information from the HBF membership we have given this question a great deal of thought due to the many different definitions of both land and ownership. We would, therefore, suggest that the definitions used in Q65 and 66 are very explicit and cover all possible ownership definitions. In our own survey we found that simple categories were both the easiest to collate and the simplest to understand for those completing the returns.

- Q67 The highest category of >2ha is the equivalent of just 80 dwellings. If this question is seeking to demonstrate that only a few companies can potentially develop large sites this threshold should be increased to, say, 10ha, thereby representing a development of approximately 500 units.

However, many companies are not driven or constrained by the size of site but consider sites in terms of unit numbers or development value. The question should be redrafted to reflect these other measures.

- Q68 The 10 year timeframe will create significant problems for many of the medium and large companies, particularly those that have been subject to mergers and takeovers. A 5-year timeline would, therefore, be easier (although still difficult in many respects).
- Q69 Actual unit completions will be easier to complete than actual site information. This is one of the key statistics that most companies will quote in their annual report.
- Q70 Once again, the data necessary for the last 10 years will cause considerable problems for companies the subject of mergers and takeovers. The actual fact of undertaking the practice referred to will not be difficult but the number of sites on which it has occurred will be difficult to verify.
- Q71 The definition of "involvement in the drawing up of the latest LDF" is difficult. A better question would be to ask if the company had been engaged in the process of the emerging policy documents and if so how that engagement took place (in house teams, consultants, via applications only etc).
- Q72 This question mixes together the regional spatial strategy process and the more local development document process, both of which form the local development plan within the local development framework.

The questionnaire must be more specific about the amount of involvement that occurs and the stage at which it occurs, whether RSS, LDD or via applications.

- Q73 The reference to a 5-year land supply that is developable and deliverable has only been a requirement of government policy since 1st April 2007. The majority of local planning authorities have not yet undertaken the necessary work to involve the housebuilding industry in their assessment work.

If the question is merely seeking to ascertain whether land owned by a housebuilder was identified and allocated within the adopted local development plan it will not achieve very much since this is the very practice promoted by the development plan led system in place under the Town & Country Planning Act 1990.

- Q74 Since the term "involvement" is not defined in Q72 it is difficult to see how this question can be answered with any great accuracy. The industry relies heavily on trade body representation (especially HBF) to ensure that development plan policies are consistent with government policy and allow housing land to come forward for development to meet local housing targets.

Thus, while site specific arguments are frequently pursued by individual companies the overall aims and objectives of LDFs are scrutinized on behalf of the industry by HBF and other trade bodies. Individual company involvement is, therefore, unnecessary unless promoting a particular piece of land in which the housebuilder has an interest.

Q75 The fact that this question contains the phrase "all other things being equal" means that it cannot be answered in any meaningful way. There are no sites on which "all other things are equal". Every site is unique, in a unique context and a particular market area. Thus the type of development most appropriate and easier or harder to obtain planning permission for any type of mix of dwellings is site specific rather than general.

Planning policy, whether national or local, is the predominant driver of what types of dwellings are most appropriate in which locations.

Q76 The housing density targets in PPS3 were removed in the most recent iteration of the policy statement published in December 2006. Thus, the question should refer to the past tense of "did PPS3 influence the type of dwelling your firm built".

Q77 This question provided no definition of the term "delayed". Does this refer to bringing land forward for development or delays to completions on site once it is being developed? This is not clarified in Q78 that refers to both types of delay.

Q78 The list of potential infrastructure elements that could cause delay shows the problems of the industry as a whole. Any one of the identified factors can cause considerable delay at any stage of the planning and construction process.

It is not clear, therefore, why respondents should highlight just one factor. Surely it would be better to indicate all factors that had caused delay over the last year and then to rank the top 3?

There are many other factors that cause delays such as ground decontamination, additional survey work such as ecological and archaeological works and the need to deal with flooding and groundwater issues.

Q79 This question cannot be answered on a general basis since it depends on too many site-specific considerations such as the local market, the type of property being developed, the size of the housebuilder etc.

The use of other data such as completion rates held by local planning authorities and the use of trajectory plans in the future, will provide a much more accurate consideration of the "average" rather than optimum rate of development.

I hope you find the above comments helpful and constructive and that the issues raised can be adequately addressed prior to the questionnaire being sent out your sample of housebuilders. Please feel free to contact me if you require any further clarification.

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