

ABOUT HBF

The Home Builders Federation is the representative body for home builders in England and Wales. HBF's membership of more than 300 companies builds most of the market sale homes completed in England and Wales, encompassing private developers and Registered Providers. The majority of HBF's home builder members are small or medium-sized companies.

Question 1: Do you think the Building Safety Levy charge will impact on other charges made in relation to residential buildings including Community Infrastructure Levy and Section 106 payments or the Infrastructure Levy that will replace the existing system of developer contributions? If so, what are they likely to be?

HBF and its members have consistently made clear that leaseholders should not pick up the bill for cladding remediation that has been necessitated by inadequate building regulations or construction defects. However, we have numerous concerns about the basis, approach and impacts of the Levy.

This consultation is the third intervention by Government to make the same, small number of businesses contribute to fix a building safety crisis that was caused by a long-term failure of product testing and regulation. This proposed £3bn levy follows the £2.5bn Residential Property Developer Tax (RPDT) and the Building Safety Self-Remediation Pledge which is worth at least £2.5bn as well.

Consulting on the introduction of an unprecedented sector tax via RPDT, in 2021, HM Treasury stated:

'Given the significant costs associated with the removal of unsafe cladding, the government believes it is right to seek a fair contribution from the largest developers in the residential property development sector to help fund it'

At the time the Government communicated clearly to the sector that this would represent a 'fair contribution' and UK home builders broadly agreed. Subsequently, expressing a willingness to go further, those same UK home builders worked constructively with the Government to establish the Building Safety Pledge in April 2022 which has now been codified by DLUHC. The creation of yet another proposed mechanism to extract funds from the same small group of UK companies is wholly disproportionate and hints at a lack of bravery from government to engage with well-resourced international actors, with a singular focus instead on UK domiciled firms.

After initially seeking appropriate financial contributions from product manufacturers, the Government appears to have abandoned these efforts, apparently because engaging with companies based primarily overseas is difficult.

In January 2022, the Housing Secretary's wrote in a letter to product manufacturers:



'The range of past practices in the industry - across its approach to manufacturing, marketing and testing - has rightly been a source of huge concern to Parliament and the public...

A new deal must include a clear commitment from the [construction products] sector that they agree to make financial contributions in this year and in subsequent years as we have already asked developers to do...

'I expect a public funding commitment from your sector by early March [2022]'

In April 2022, the Housing Secretary wrote again to the construction products sector to say:

'In January, I asked property developers and construction product manufacturers to make a public funding commitment by early March. Unlike the approach taken by developers, manufacturers have failed to make any such commitment. This is simply not good enough...

'It is unacceptable that there has been no clear acknowledgement that actions taken by cladding and insulation manufacturers have contributed to the problem, and that manufacturers have individually and collectively failed to come forward with a proposal for playing their part in addressing it. As such, I now consider our negotiations to have concluded.'

To date no sectors or actors other than UK home builders have made any contribution. This includes the product manufacturers generally, as well as those described by the Secretary of State as 'the three cladding and insulation firms most closely associated with the refurbishment of Grenfell Tower'.

The Secretary of State's statements about UK-based companies being easier to threaten with sanctions than businesses domiciled elsewhere are disappointing. In February 2022, the Housing Secretary told the House of Commons Select Committee 'companies that are domiciled and do business in the UK are easier to engage with and it is easier to be clear with them about what the consequences of non-engagement might be'. This approach serves to deter investment in the UK and creates the wrong incentives for the wider business community.

Care should be taken by Government not to continue to give the impression that UK companies and home building British firms in particular are soft targets for new taxes, levies and policy costs. Weighing down UK home builders may suppress housing development which may be politically attractive in the short-term but will have many varied and profound economic and social consequences in medium- and long-term.

In light of the Government's failure to secure any meaningful engagement from primarily overseas based firms operating in the construction products sector, it would be sensible to raise the sums considered necessary from those actors, either via a levy or, preferably, through a Corporation Tax surcharge similar to RPDT. An RPDT equivalent would make it less likely for the costs to the sector of a new levy being passed directly on to their customers. Specifically on the Building Safety Levy, should Government evidence the requirement for additional taxes



and be unwilling to pursue product manufacturers, we would propose a broader base collection of this type of levy.

The Government has now accepted its own role in the building safety crisis, particularly through the failure to ensure building regulations were adequate. The impact of this failure has been felt across the entire development sector. Furthermore, with the intended collection mechanism for the Building Safety Levy being via Building Control, it would be appropriate for all actors using building control services to make a contribution through a new, more modest levy. This could exclude individual householder applications, but ought to include commercial developers and others.

With regards to the amount the Levy needs to raise, we remain unclear as to the how the Government has reached its £3bn estimate. Based on the information our members have provided, we expect the proportion of the total sum that relates to buildings built by mainstream home builders to be relatively small. As previously requested, we would encourage the Government to publish the basis of its estimate.

In terms of impacts, when taken into account with other contributions developers are already making, including through Section 106, the Community Infrastructure Levy, the Residential Property Developer Tax, and the funds home builders have committed to remediating their own buildings, HBF is extremely concerned about the cumulative impact these new taxes and policy costs will have on the supply of affordable housing, particularly in areas of low land values.

Currently, almost half of affordable housing is provided by private developers through cross-subsidy. However, with 12 new Government taxes, levies and other interventions (including RDPT and BSL) set to cost the industry at least £4.5bn a year (more than £20,000 per home), combined with the challenging economic situation more generally, means that sites are at risk of becoming unviable, resulting in an inevitable decline in affordable housing.

While policymakers routinely claim that residual land values will balance out viability concerns, the sheer and unprecedented burden of new policy and tax has already pushed this calculation to breaking point, threatening viabilities and inevitably leading to fewer homes being built over the coming decade. Furthermore, some of the additional costs, including the proposed new Building Safety Levy, will be met through reduced developer contributions. The availability of a funding envelope for S106 and CIL will contract. Because of the long-term reduction in direct grant funding of Affordable Housing, a growing proportion of S106 receipts are directed towards provision of new Affordable Homes as a cross-subsidy from private development. The result over recent years has been a decline in the proportion of the funding envelope being directed towards other key local services, particularly services and infrastructure that existing residents value and that are more visible for communities. This has long-term consequences for residents' attitude to new housing proposals and risks being exacerbated as Government pursues an ever-lengthening list of new taxes and levies.

DLUHC itself has acknowledged the impact the Levy will likely have on affordable housing. In its response to Select Committee reports on cladding and building safety remediation, DLUHC



states that: “...the Government recognises that applying a levy to affordable housing would increase the cost of developing affordable housing and is therefore likely to disincentivise supply.”

Last year, WPI undertook a modelling exercise which outlined what the potential outcomes of a levy on affordable housing supply, and the wider losses to the economy, might be. The analysis looks at how the BSL would affect the pipeline of marginal developments, using the Valuation Office Agency’s (VOA) land value estimates as a guide.

In short, the model estimates what proportion of typical sites would not be brought forward for residential development if the BSL were to raise the cost of development. The results of the modelling exercise were that:

- A BSL raising £3bn over 10 years implies an additional development cost of £1,580 per unit.
- This additional per unit development cost means a reduction in land values that could reduce planning consents by 2% each year (based upon VOA assumptions on the threshold value at which land is released for residential development).
- This 2% lower consent translates into roughly 3,700 fewer homes completed per year, or 37k fewer homes over the 10-year life of the BSL.
- It would affect 44,400 jobs in the home building industry, meaning either fewer hours worked or fewer jobs available.
- It would cost £42.1m in Council Tax every year.
- The reduction in supply would be more likely to happen in the least well-off parts of the country - a flat rate BSL would impact proportionally more on land values where land values are lower.
- A per unit BSL of £1,580 would necessitate land values to be reduced by more than 10% in 18 local authority areas.
- Of these 18 council areas, 11 are those that the Government has deemed most in need of levelling-up (so-called "Priority 1" levelling-up areas).
- If a BSL were implemented over 15 years, then only nine council areas would see land values reduced by more than 10%.

When the cumulative impacts of the BSL, RPDT and corporation tax are taken into account, the central estimate of the modelling exercise finds that around 70,000 affordable homes will be lost over the ten years of the Levy.

More broadly, HBF is also concerned about the fairness of the industry being hit with another levy. While the Government has committed to a ‘polluter must pay’ principle, it is only the private home building industry that has been repeatedly targeted for contributions. Other actors with a responsibility for resolving the building safety crisis, such as overseas developers and product manufacturers, must also be pursued actively by the Government as a matter of urgency.



Question 2: Who do you think should act as the collection agency for the levy? Please give reasons for your answer.

HBF agrees that Local Authorities are an appropriate collection agency for local levies of this type. However, it should be recognised that Local Authority Building Control bodies will not be involved in every scheme and consideration should be given to the role of Approved Inspection agencies who may be well placed to support the process of collection.

Many home builders will use Approved Inspectors for building control services. This is likely the case on the majority of new build schemes and in such scenarios, Approved Inspectors do not notify local authorities when individual plots have been started.

Government should consider engaging appropriate Approved Inspectors to also act as collection agents who will be able to pay funds directly into any levy fund.

It is also vital that these already significantly under-resourced and under-staffed LAs are provided with adequate resources to undertake this exercise to prevent this additional work from impacting detrimentally on the exercise of the LA's responsibilities with regards to planning.

Because it appears that Government would prefer to administer this new tax via Building Control processes, it is vital that DLUHC understands from practitioners, including private Building Control bodies, that this may affect the deliverability and the parameters. One example may relate to floorspace if that is the basis on which the Levy will be calculated. It may not always be the case that Building Control bodies will collect and update that sort of information through the development process. Building Control may also have limited understanding of the previous land use categorisation. Where the Building Control body is the local authority then this information may be held elsewhere in the organisation.

Question 3: What proportion of receipts do you think the Collection Agency should retain? What administration costs will that need to cover?

The collection agency should only retain enough income from the receipts to enable it to undertake the exercise in a timely and efficient manner. The under-resourcing of Local Planning Authorities should be of great concern to Government and is inevitably causing major damage not just to the residential development community but the entire UK economy. However, the retention of administrative costs through this latest Government tax should not be the route through which this is addressed.

Question 4: How frequent should revenue returns be provided to DLUHC? Please give reasons for your answer

HBF believes that quarterly returns to DLUHC would be reasonable and strike a sensible balance.



Question 5: Do you think that there should be regular review points? If so, how frequent should they be?

It is difficult to fully consider the concept of review points when the overall case for the new levy is so weak to begin with. In a more transparent and constructive environment, UK home builders who are already paying one new tax and making sizeable financial commitments via the Building Safety Pledge agreed with Government would be able to rely on DLUHC to regularly assess the amounts collected against perceived remediation requirement. However, over several years the Department has refused to provide stakeholders with robust modelling of these factors which fails to inspire confidence that things will be better in the future.

HBF does not accept DLUHC's premise that £3bn is required to remediate 11-18m buildings with identified building safety defects. DLUHC has provided inadequate evidence to support this funding requirement. Loose estimates based on theoretical desktop exercises using small samples of buildings and without even a clear understanding of many of the key metrics, is an unfair and inappropriate basis on which to introduce another new tax on the same businesses. We oppose the principle of again taxing the same UK companies to pay to fund an intervention which those businesses are already making significant contributions to. While we acknowledge that the Government has deemed overseas actors too difficult to engage with, the unprecedented nature of its interventions to tax and otherwise extract funds from UK home builders would point to a creativity and determination when it comes to companies building homes in the UK and paying taxes here.

Starting out with an intent to collect £3bn is excessive. Our analysis of Government's estimates and our own data collection provides clear evidence that this number is too high and hints at other policy goals being pursued under the cover of this Levy. Were a levy required - which itself is not clear - setting out initially to collect a lower amount would be fairer and better backed by the evidence. This approach was taken in 2018 when HBF first proposed a small levy charged on building control applications to support leaseholders and building owners in meeting remediation costs.

Based on assumptions and estimates of the total number of buildings of 11-18m in the entire residential stock and another assumption around the proportion of which are residential and another dubious assumption about the proportion of relevant buildings that require remediation, we have little confidence that the number arrived at is in any way accurate. Indeed, the Government has used Ordnance Survey data in combination with a small survey undertaken by consultants to establish a theoretical cohort of buildings, but other Government-owned data sources, such as the English Housing Survey, published by DLUHC, would offer an entirely different and probably more accurate basis for the Government's estimates. Transparency should be a greater priority and we, again, urge DLUHC to provide its estimates and data that may support its figures.

In early 2022, DLUHC undertook a data collection exercise, seeking from many HBF members information on buildings they had developed and potential remediation requirements. Despite requests from the Housing Select Committee in the House of Commons and the industry itself, no headline results from this survey have been shared. HBF engaged a global



consultancy firm to conduct a similar exercise across an even larger cohort of UK home builders. The returns from more than 130 HBF members suggested that the total number of 11-18m buildings in England likely to require remediation is significantly lower than the 8,000 estimated by DLUHC - potentially as little as 10-20% of this number. Meanwhile our analysis did find that the likely average cost per block may be marginally higher than that implied by DLUHC's numbers. Our estimates which we consider to have as much, or more, rigour than DLUHC's, suggest that total remediation costs for 11-18m may be around £1bn - and much of this will be met by UK builders within scope of the Self-Remediation Pledge.

Furthermore, the Building Safety Fund, with £5.1bn allocated, and which is funded in large part by a different tax on the UK home building industry should require considerably less resource than was envisaged when the Fund launched. Since then, 50 UK builders have made significant financial commitments on 18m+ buildings and are reimbursing the BSF where appropriate.

The concept of requiring a levy also appears to be predicated on the basis there is a need to collect additional funding to support remediation for inadequate fire safety measures on existing buildings. However, the recovery mechanisms introduced by the Building Safety Act 2022 already provided a route to affected leaseholders being able to obtain such remediation. Therefore, unless the Government is unsure of the effectiveness of its own legislation, where does the need for this additional tax arise and as mentioned above on what basis is this decision being made?

Because of the Government's failure to secure contributions from product manufacturers in the way it initially sought to during early 2022, it would be appropriate, fair and sensible to consider taxes or levies aimed at construction products sector rather than again aiming the Government's sights at UK home builders. Continually pursuing the same companies gives the impression that UK firms are easy targets and that suppressing housing supply may be a convenient political outcome.

Transparency should be a greater priority and we, again, urge DLUHC to provide its estimates and data that may or may not support its figures.

Question 6: We welcome views on the two-step process and charging points for the levy. Do you agree or disagree, please give reasons?

While the biggest home builders will often have large capital bases, SME developers do not enjoy the same access. Indeed, smaller developers are often reliant on project specific finance, therefore, charging 60% of the levy prior to commencement will act as a barrier to some builders being able to build.

For SME developers captured by the levy, it would be helpful for them to only have to pay it upon final certification.

Infrastructure costs on developments are usually front-loaded. We see no particular reason why this latest levy from Government need be predominantly front-loaded. If final building control sign-off is linked to payment of the levy, then 100% or 75% payment at completion



would be more appropriate and place less undue burden on the same parties Government has pursued continually to make contributions to the same funds and to meet the same objectives.

More appropriate weighting of the payments towards the end of the development phase also allows for proper consideration to be made for changes to the development footprint which may have occurred, i.e. floorspaces.

Question 7: What are your views on the percentage split, i.e., charging 60% of the levy prior to commencement stage and 40% at final certification. Are these the right amounts? If not, why not - please give reasons.

Please see above. It would be more appropriate to charge 100% or 75% at final certification. Given the likely significance of the levy rates, it is important Government considers cashflow implications. While there may be a tendency to consider the home building sector to be solely populated by larger firms, the majority of HBF's members are SMEs for whom the cashflow dynamics of developments are of grave importance.

Question 8: If you consider yourself a small or medium enterprise, what impact will these levy payment points have on your ability to build? If so, what could help? To note we intend to exempt developments under 10 units or the square metre equivalent.

While appreciated, the exemption of developments under 10 units, or the square metre equivalent, will be of use to only the smallest micro builders.

The majority of HBF's members would be considered SME home builders, but only a minority will typically complete sites of fewer than 10 units. Consideration of a higher site size threshold should be considered.

The concept of an additional levy is unfair in the context of other commitments that the home building industry is making to support remediation of buildings deemed not to be unsafe. The UK home building industry is already committing:

- At least £2bn through self-remediation commitments by around 50 British businesses targeted by DLUHC;
- To the removal from the Building Safety Fund and the ACM Fund any buildings built by those same 50 or so companies to ensure public funding is not required;
- To reimburse DLUHC for any monies already spent on buildings developed by those companies;
- More than £2.5bn through the Residential Property Developer Tax, a new industry-specific tax on larger UK home builders

HBF, on behalf of the industry has worked proactively with Government to develop these mechanisms to ensure the industry is supporting leaseholders appropriately. Indeed, HBF first proposed a levy some four years ago. At the time the proposal was not taken up, but in recent times the approach has been excessive with an unprecedented new tax on building and a challenging and innovative pledge coming before this levy proposal.



It remains unclear if there is a genuine requirement for more funding with Government unreasonably refusing to provide any robust assessment of its estimates. With this in mind, it is considered by some that the proposal of another new levy on the same UK businesses amounts to either a stealth tax or a means of limiting housing delivery.

However, for SMEs this additional levy is especially unjust. Few will have developed buildings over 11m in height.

The impact of this new levy on SME home builders must also be considered in the context of the dozen or so additional charges, levies and taxes imposed by the Government in the space of just a couple of years. The likely quantum of this new levy is still unknown and no data has been brought forward to robustly estimate the sums that may be required. However, it is likely that this additional levy may, in isolation, have been more manageable than the myriad of other levies and taxes proposed and implemented in recent times. Taken together they create an unprecedented additional burden on home building which will inevitably lead to fewer homes being built, especially by smaller companies.

Policymakers routinely claim that residual land values will balance out viability concerns. On some occasions this can be correct, but the sheer burden of new policy and tax has already pushed this calculation to breaking point with a total additional policy cost of more than £20,000 per new home expected within two years. The impact on viabilities in some parties of the country are already being felt even before the introduction of this latest new tax.

Question 9: What do you think should be the principal sanction to ensure the levy is paid?

This new levy will result in fewer homes built, particularly impact the delivery of new Affordable Housing and should be reconsidered. Through financial commitments of more than £4.5bn to date, the UK home building industry is more than paying its fair share towards fixing problems caused by a failure of regulation and product testing.

If a sanctions regime is required for what may amount to a stealth tax on home building, a process should be implemented to flag non-payments which, with reasonable notice, should signal to developers that a payment is overdue.

Question 10: Do you think that the failures outlined above may occur in operation of the levy? If so, how best can they be avoided?

While failures to pay may occur, established UK home builders are well-versed in paying new levies and taxes through various means. A simple and sensible payment mechanism would help ensure this latest levy is treated similarly.

Question 11: Is it reasonable to consider the sanctions regime of the RPDT in relation to the levy?

No. This is a very different form and mechanism of taxing the industry to the one set out through RPDT.



Question 12: How might levy design avoid mistakes, gaming, and fraud, or else maximise positive incentives?

The levy would need to be simple in terms of its collection mechanism and its calculation formula. By making the levy payable at completion it would be possible to link to the issuance of Building Control certification.

Question 13: Which of the options above do you think is the best basis on which to implement the levy? Please give reasons for your answer.

Establishing the levy on a per square metre basis would be fairest.

Question 14: How best can we protect small and medium sized builders? Is exempting smaller developments the best way?

It is vital that proper consideration is paid to this matter. Imposition of other taxes and levies have prioritised development types such as Build to Rent with little attention given to the long-term plight of SMEs in the sector.

SMEs historically played a large role in providing the homes the country needed. Since the early 1990s SMEs have been in near constant decline. The creation of the plan-led system of planning more than 30 years ago threatened to reduce the availability of appropriate sites. In fact, the outcome was much worse as local authorities, in many cases, chose not to even adopt local plans. Then, in recent years, as planning became more costly and risky, the financial consequences of delays and unforeseen consequences have become ever more dangerous for the long-term health of businesses.

Even between 2012 and 2018 when governments pursued pro-growth housing policies, SME home builders struggled in a market that was generally buoyant for larger developers. Development finance, whilst available in reasonable supply, saw changes in typical terms that prevented builders from recycling equity in an efficient fashion. This reflected the perceived risk that lenders were now assigning to planning and development. In more recent times, anti-development policies introduced, as well as changing market dynamics have made SME home building even more challenging.

Exempting smaller sites, up to 25 or even 50 homes (or a reasonable floor area equivalent) would prevent further barriers to SME growth and existence being introduced. Government should reconsider the implementation of a new levy entirely. HBF has acknowledged the need for industry, particularly those with the broadest shoulders, to contribute to remediation efforts. RPDT has helped make this a reality and the self-remediation pledge will build on this. Taken together this approach adopted by government will see fewer homes built and smaller businesses struggle.



Question 15: Do you think government should set differential levy rates based on geography based on the different land values and house prices in different areas? Please give reasons.

We would caution against using this new levy, in addition to the other new taxes and policy costs being imposed, to achieve a myriad of different policy objectives. Using the BSL to promote other policy objectives may give the impression that it is a catch-all levy designed to moderate development in areas where new homes are not politically palatable. Planning policy and Government's objectives around housing should not be a factor in designing this new levy.

If the Government is intent on implementing another new levy which replicates the purposes of RPDT and the Building Safety Self-Remediation Pledge, then a low single, national rate would be sensible. Differential rates according to different land uses and prevailing land values is only deemed necessary because of the large quantum of funding that is being sought through this latest Levy. Any new levy and its rate/s should be communicated as soon as possible to allow industry to plan for this additional policy cost alongside other rising policy costs and, thus, to make determinations as to which sites remain viable.

Question 16: Which of the two options outlined above would you prefer? Please give your reasons for your answer.

If the Government is intent on implementing another new levy which replicates the purposes of RPDT and the Building Safety Self-Remediation Pledge, then a low single, national rate would be sensible. Differential rates according to different land uses and prevailing land values is only deemed necessary because of the large quantum of funding that is being sought through this latest Levy. Any new levy and its rate/s should be communicated as soon as possible to allow industry to plan for this additional policy cost alongside other rising policy costs and, thus, to make determinations as to which sites remain viable.

Question 17: Do you think there should be different levy rate applied on brownfield and greenfield developments in the same geographic area? If so, do you think that the differential should be the same in every geographic area?

It is not always the case that greenfield sites are more biodiverse or ecologically valuable than brownfield sites. In establishing the policy of Biodiversity Net Gain, the Government is already seeking to capture value and achieve other policy goals depending on the previous status of a development site. While it is possible to see the motivations of this proposed approach, from both a policy and, crucially, a political perspective, it need not be the case that every new tax, levy or policy is intended to achieve the same expansive policy goals.

Using the BSL to promote other policy objectives may give the impression that it is a catch-all levy designed to moderate development in areas where new homes are not politically palatable. Planning policy and Government's objectives around housing should not be a factor in designing this new levy.



We would urge Government to reconsider the introduction of yet another new levy on the same businesses to pay for remediation that those businesses are already making contributions of around £5bn for, particularly with no clear evidence base for doing so. If Government is intent on bringing forward this new levy, simplicity should be prioritised. Establishing a new levy that has two, or potentially three, rates at each local authority level creates an additional cost of doing business.

It should also be noted in consideration of greenfield and brownfield development that some land has no extant categorisation and care should be taken not to make such potential development sites undevelopable.

If the Government is intent on implementing another new levy which replicates the purposes of RPDT and the Building Safety Self-Remediation Pledge, then a low single, national rate would be sensible. Differential rates according to different land uses and prevailing land values is only deemed necessary because of the large quantum of funding that is being sought through this latest Levy.

Question 18: What amount of grace period should be set for projects that have already started the building control process on the date the levy goes live?

Projects that have already entered the building control process on the date the levy goes live should not be subject to the levy. As addressed previously in this consultation response, developers are already subject to a variety of new taxes and regulations which risk making some sites unviable. Levying an additional cost on to sites which, due to the time lag, would not have had the cost of the levy factored into the viability is not only unfair, but will cause significant problems for SME developers. The levy should only be applicable to projects that are granted planning permission after the date on which the levy goes live.

Question 19: What are your views on the above exclusions? Please set out whether you agree or disagree and give reasons for your answers.

HBF understands the Government's reasoning behind the list of exclusions contained in the document. As outlined in our response to question eight, we would encourage DLUHC to consider raising the threshold at which a development is no longer considered small, as the current rule of less than 10 units will only be of benefit to micro developers who are relatively few in number.

SME developers are already subject to a range of planning, regulatory and financial challenges that are hastening their diminution, and the levy threatens to intensify this further. Halting this process is important to ensure a plurality of developers, a healthy housing market and to make the further much needed strides in housing supply this country needs. To this end, an exemption for *smaller* sites, up to 25 or even 50 homes (or a reasonable saleable floor area equivalent) would prevent further barriers to SME growth and existence being introduced.



Question 20: Do you have any views on Build to Rent developments, purpose-built student accommodation, older people's housing. If so, please set them out.

HBF doesn't consider Build to Rent developments should be excluded from the Building Safety Levy. Developers of private market housing are already contributing significant funds to the remediation of buildings deemed unsafe and the prospect of an additional levy is unfair in the context of these other commitments:

- At least £2bn through self-remediation commitments by around 50 British businesses targeted by DLUHC;
- Removal from the Building Safety Fund and the ACM Fund of any buildings built by those same 50 or so companies to ensure public funding is not required;
- To reimburse DLUHC for any monies already spent on buildings developed by those companies;
- More than £2.5bn through the Residential Property Developer Tax, a new industry-specific tax on larger UK home builders

It is vital that all responsible parties contribute to resolving building safety issues and HBF sees no reason why a growing, profit-making sector, such as Build to Rent, should be exempt, particularly as it has already been excluded from paying the RDPT. It is also probable that the Build to Rent sector has a greater proportion of overseas players involved. Care should be taken by Government not to continue to give the impression that UK companies and home building British firms in particular are soft targets for new taxes, levies and policy costs. Weighing down UK home builders may suppress housing development and be politically attractive in the short-term but will have many varied and profound economic and social consequences in medium- and long-term.

We also strongly encourage the Government to pursue other parties, including product manufacturers, who are well resourced and bear at least part of the responsibility for the building safety crisis, foreign developers and Registered Providers delivering private-led schemes to ensure that the Government's principle of 'polluter pays' is fully realised.

Older people's housing has a unique viability model due to the additional services provided on these developments. As such, we believe this type of development should be exempt from the Levy or given a significant discount, especially in light of the increasing need for more affordable housing.

Question 21: Do you agree Affordable Homes should be excluded from payment of the levy?

HBF agrees that Affordable Homes should be excluded from the levy. As addressed earlier in this consultation, the cumulative impact of the Building Safety Levy, the RDPT and Corporation Tax is at risk of undermining the viability of sites with a potentially loss of around 70,000 affordable homes over the next 10 years. Subjecting affordable housing to the levy would reduce that viability further and result in a much-needed tenure of housing being decimated.



It should be made clear on which basis Affordable Housing provision is excluded from the levy. It should be the tenure that is key and not the provider. Many Affordable Housing providers also deliver private housing or private-led developments. In these instances they are competing with other developers who will be expected to pay the Government's latest additional levy on housing supply.

Question 22: Do you agree NHS Hospitals, NHS Medical homes, and NHS GP practices should be excluded from payment of the levy?

HBF considers the above exemption reasonable.

Question 23: Do you agree Conversions, improvements to owner occupied homes and refurbishments should be excluded from payment of the Levy?

Where conversions are made for-profit and represent residential development, they should be treated the same as any other form of residential development. Permitted Development Rights used to convert from, for instance, office to residential, have not been immune from building safety issues and, therefore, relevant developers should be treated similarly to the rest of the sector.

Question 24: Do you agree supported housing should be excluded from payment of the levy? Please give reasons for your answer.

HBF considers the above exemption reasonable.

Question 25: Do you agree care homes should be excluded from payment of the levy? Please give reasons for your answer.

HBF considers the above exemption reasonable.

Question 26: Do you agree that children's homes should be excluded from payment of the levy? Please give reasons for your answer.

HBF considers the above exemption reasonable.

Question 27: Do you agree Domestic Abuse facilities should be excluded from payment of the levy? Please give reasons for your answer.

HBF considers the above exemption reasonable.

Question 28: Do you agree residential care homes be excluded from payment of the levy? Please give reasons for your answer.

HBF considers the above exemption reasonable.



Question 29: Do you agree Criminal Justice Accommodation be excluded from the levy? Please give reasons for your answer.

HBF considers the above exemption reasonable.

Question 30: Do you agree military establishments be excluded from the levy? Please give reasons for your answer.

HBF considers the above exemption reasonable.

Question 31: Would excluding developments under 10 units (or the square metre equivalent) protect small and medium sized enterprises? What might the alternatives be?

Excluding developments under 10 units would assist only micro builders, as demonstrated by the by the typical example set out in the consultation document:

- Micro Builders = 1-10 homes per year
- Small Builders = 11-100 homes per year
- Smaller Medium Builders = 101 - 500 homes per year
- Larger Medium Builders = 501 - 2,000 homes per year

Much of the industry's SME developers would fall in to the above "small builder" or "smaller medium builder" categories, putting them out of scope of the consultation. A smaller home building company completing, say 75 homes per year may be operating. As outlined elsewhere in the consultation, we would welcome the threshold for this exclusion being raised to 25, or even 50 homes (or the equivalent floor space equivalent) as it is only at this level that an exemption would be of any tangible benefit for the vast majority of SME developers.

Question 32: Do you consider that we should set a discounted levy rate for the entirety of a development where that development provides a specified proportion of affordable housing?

HBF would welcome more detail on the proposal for a discounted levy rate for the entirety of a development where that development provides a specified proportion of affordable housing. This could be particularly helpful in areas of low land value, where viability and affordable housing, are most at risk. However, as cautioned elsewhere, this latest levy should not be used to implement other policy goals and prospective policy goals. Private sector cross-subsidy of Affordable Housing through Section 106 is already responsible for providing half of all new Affordable Homes and an even greater proportion of new Social Rented homes. Using this levy to further increase the private sector cross-subsidy and plug gaps in centralised Affordable Housing Programmes is not a sensible approach.

Attention should also be given to the fact that, where land values allow, development sites effectively have an envelope of developer contributions available which is captured principally



via Section 106 and CIL. As direct grant funding of Affordable Housing has substantially declined in recent years, an expanding proportion of total developer contributions are being directed by local planning authorities towards Affordable Housing to meet local needs. This often comes at the expense of other local priorities that may be more visible to existing communities. Government should consider the long-term consequences of further incentivising Affordable Housing delivery over other local infrastructure and service requirements, especially as direct investment in these areas has also declined leaving communities ever reliant on developer contributions for local infrastructure, Affordable Housing and service expansion.

