

# BRIEFING



Government responds to HBF concerns

14 May 2008

## **GOVERNMENT RESPONDS TO HBF CONCERNS, BUT MORE ACTION NEEDED**

HBF's top priority at present is to persuade the Government, the Bank of England and Monetary Policy Committee (MPC), and mortgage lenders that urgent action is required to assist the housing market and the new homes sector which are suffering from an extremely serious downturn. The following briefing note sets out the actions HBF has taken on behalf of HBF members, along with the Government's response to date. Our efforts on behalf of members will of course continue over the coming weeks and months.

Today's welcome announcement from the Prime Minister and Housing Minister shows that the Government is listening to HBF, although clearly more action is required. The package includes £200 million from the Housing Corporation for housing associations to buy new properties from home builders, properties which will then be made available either to first-time buyers to purchase through the Homebuy Scheme, or for social rent; and another £100 million for first-time buyers eligible for the Open Market Homebuy Scheme to buy new properties from home builders. In other words, this represents an additional £300 million of Government/Housing Corporation funds directed at purchasing new properties from home builders. We are advised that HBF members wishing to take advantage of these schemes should initially contact Richard Hill, Director of Investment, at the Housing Corporation. Three briefing documents from the Housing Corporation are also available to HBF members on the HBF web site, [please click here to view](#).

In response to today's housing announcement, HBF Executive Chairman Stewart Baseley said:

"Whilst welcoming any measures that may boost the housing market, today's announcement is not enough. The current situation demands drastic action and we have been calling on Government to take a range of measures to address the situation. The implications for the wider economy, industry jobs and the Governments long term targets of not acting now are severe."

## **Market Information**

Since the current crisis began to emerge last Summer, HBF has closely monitored the situation facing home builders. Our member surveys give us an invaluable, up-to-date barometer of trends. This information is regularly fed through to key officials at the Treasury, Bank of England and Communities and Local Government (CLG), thus ensuring that they too are fully aware of the situation. Unlike in the late '80s/early '90s, when we had no accurate, up-to-date measure of the true scale of the situation, HBF's survey data now enable us to keep right up to date with the scale of the downturn and to make sure the Government is also kept fully informed about developments as they emerge. This has substantially increased our chances of persuading the Government that urgent action is required.

HBF senior staff are in regular contact with officials in all three departments and we make sure that, in addition to our survey data, other important information on the market and industry - such as closures and job losses within the industry, or important City comment - is immediately sent through to key officials.

We are assured that the Chancellor and Chief Secretary to the Treasury are being kept fully briefed on the new build situation. We have also kept the Prime Minister's office informed. HBF members will be aware from press coverage of the housing minister's photographed Cabinet housing briefing note that the Cabinet is also being kept informed. Bank officials use results from HBF's industry surveys for their monthly MPC briefings. Our monthly survey is often quoted in the Minutes of MPC meetings and in the Bank's quarterly *Inflation Report*.

## **Briefing Government and the MPC**

We have held a series of meetings with officials at the Bank of England and Treasury since November last year. In addition, we have arranged several times for CEOs from a number of the largest home builders to meet Treasury officials, members of the Monetary Policy Committee and Bank officials. We have another meeting with the MPC on 19<sup>th</sup> May. We have met the housing minister, Caroline Flint, and we are in regular contact with senior CLG officials. Throughout all of these discussions we have stressed the scale and speed of the downturn in the new build sector, and the need for urgent action. In recent weeks our focus has been on the threat the housing market poses to the wider economy, particularly the impact of anticipated job losses in the house building and related industries.

Following a recent meeting with Treasury officials, we drew up a series of policy proposals in a **Housing Market Package** which was submitted to the Chancellor on 30<sup>th</sup> April. This expanded on the measures suggested in our February Budget Submission and included proposals such as a time-limited stamp duty holiday, a first-time buyer loan deposit scheme, time-limited mortgage interest relief for first-time buyers and parents assisting their children to buy, funding for housing associations to buy new build properties along with relaxation of the

Housing Corporation's space and sustainability standards to allow associations to purchase new homes from the private sector, and extension of the successful English Partnerships First-time Buyer Initiative. Some of these measures have already been implemented, but some were ignored. We are continuing our discussions with Treasury and CLG about further measures to help the new build sector and the housing market.

We have a strong suspicion that HBF's meeting with the MPC and Bank in December was influential in persuading the MPC to make the first cut in interest rates a day or two later. HBF persuaded the Housing Corporation and CLG to allow housing associations to relax their space and sustainability standards so that they could buy additional dwellings from home builders. English Partnerships has simplified its costly pre-qualification procedures for bidding for EP land. And as noted above, following HBF representations the Government announced (14 May) £300 million of Housing Corporation funding to buy new build properties from home builders.

Just before the May MPC meeting, HBF called for a half percent cut in Bank Rate. While we were fully aware that even a quarter percent cut was unlikely, we wanted members of the MPC to be in no doubt about the depth of our concerns in advance of our meeting with the MPC on 19<sup>th</sup> May. While we did not persuade the MPC to act this time, we must maintain maximum pressure on them to influence future decisions.

HBF has also been in close touch with the Council of Mortgage Lenders (CML) and key lenders to try to understand the mortgage crisis and to explore whether HBF, house builders and lenders can do anything to help alleviate the situation for home builders. These discussions are ongoing. Because of lender concerns about the transparency of new build prices and incentives, the CML is introducing a Disclosure of Incentives Form to help restore lender confidence in newly built homes. We have been helping the CML devise sensible and clear wording for this form.

The HBF has been proactively engaging the media in recent weeks to ensure the industry's concerns are understood by journalists. We have issued a number of press releases outlining our position and containing quotes summarising the issues; and have given numerous off-the-record background briefings.

This media effort has resulted in significant coverage in the trade and national media, and Stewart Baseley and John Slaughter have done broadcast interviews for a number of programmes, including BBC Radio 4's Today Programme, Channel 4 News and Sky News.

HBF will continue to monitor very closely new build trends, provide a constant flow of up-to-date evidence and information to the Treasury, Bank, MPC and CLG, and continue discussions with all these organisations and with the lenders.

Clearly the market is the number one priority of our senior management team, but HBF will of course continue to work on other longer-term issues such as the burden of regulation, the CIL, the planning system, building regulations and the Code for Sustainable Homes.

**John Stewart**  
**Director of External Affairs**