

CONSULTATION RESPONSE



Next Steps to Zero Carbon: Small sites exemption

January 2015

The HBF is the principal trade association for private sector home builders in England and Wales and our members produce about 80% of the new homes built each year.

The Home Builders Federation has completed the online questionnaire form accessed through the gov.uk website but for completeness we are also submitting this response via email.

Introduction

We welcome the Government's continued focus on supporting small and medium-sized house builders. This consultation represents further recognition of the difficulties faced by smaller house builders brought about by several decades of burgeoning regulatory constraints as well as a propensity amongst planning authorities to release a small number of large sites for development and increased costs and risks associated with planning. The effect of all of these trends was exacerbated by the squeeze on development finance that was experienced during the recent recession. These factors combined have led to a collapse in the numbers of SMEs over the last 25 years from 12,200 in 1988 to just 2,700 in 2013.

An exemption from the 'allowable solutions' requirements of the zero carbon policy aimed at supporting SMEs would help in this regard while also boosting the overall number of new homes being built and ultimately helping to tackle the housing crisis.

Question 1 – should the exemption be targeted at site size, developer size, or a combination of both? Is there any evidence to support the choice made?

Targeting the exemption at site size is the most practical option. We agree with the view expressed in the consultation document that an exemption defined in terms of site size will also be the easiest and most effective form of exemption for the purposes of building control compliance checking. From the developer perspective, small sites are usually disproportionately more costly per unit to develop owing to the irreducible planning and development costs and general transaction costs involved being spread over a small number of units. Whilst not always the case, to a certain degree, everything else being equal, the lack of economies of scale can make smaller sites costlier for house builders.

The exemption for small sites, however, should not lead to higher costs for larger sites. For example, it should be quite clear and robust in the framework for the future rules that any loss of allowable solutions income that may arise from a small sites exemption cannot be recouped by any means through increasing the cost of allowable solutions requirements

for larger sites. The clear principle must be that the cost of allowable solutions must be capped at a level set nationally on an appropriate and agreed basis that does not seek to “compensate” for the small sites exemption. To do so would introduce an element of unfair competition.

Question 2– if the Government chose a site size exemption, what level should this be set and why?

The suggested site size of 10 units, consistent with exemptions from S106 affordable housing contributions, would seem sensible but a higher threshold could also be argued for. On balance, the HBF is content with the proposed threshold. It should, however, be noted that many small house builders will often develop sites of 10-20 units. A threshold of 15 units would only capture another 4% of total planning permissions (according to the impact referenced on page 15 of the consultation) but would disproportionately benefit smaller developers and ultimately help to increase overall house building levels.

The implementation of dual criteria covering both the number of units and the overall floor space of the development should not be pursued. Dual criteria would penalise builders developing family homes bearing in mind that such homes are normally likely to have to make bigger, higher overall cost allowable solutions contributions than smaller homes. Dual criteria could therefore introduce a distortion into the market that would be unhelpful to developers and home buyers by effectively promoting the development of smaller units. And in rural areas, where small sites account for 80% of housing delivery and flats and apartments are not always the most attractive option for home buyers, the benefits of the exemption could be unfairly limited.

Question 3 – if the Government chose a developer size exemption, what criteria should it apply and why?

Any conceivable measures of developer size would be considerably more complex and potentially costly to use for these purposes. They would also be more difficult to control and sub-optimal for building control compliance purposes. The number of annual completions and annual turnover could be considered but these obviously differ from one annual accounting period to another and are further complicated by the ownership and reporting structures of some companies.

Question 4 – What do you think the scope of the exemption should cover? An exemption for the allowable solutions scheme only, or an additional exemption from Building Regulations requirements? Do you have any evidence to support the choice between these options?

Whilst the majority of the costs brought about by the zero carbon standard will be associated with the (on-site) fabric efficiency enhancements to building performance through a further strengthening of Part L of Building Regulations, it is HBF’s view that the exemption should only be applied to the allowable solutions element of the standard i.e. the off-site mitigation.

An exemption for small sites from further fabric efficiency improvements beyond the requirements of the Part L 2013 in addition to an allowable solutions exemption would lead to the creation of two standards for the fabric efficiency of new homes which would do little to benefit either house builders or their customers. It would also risk reducing the efficiency of the supply chain by decreasing the economies of scale that could be achieved by a single national fabric efficiency standard.

Exempting small developments from the allowable solutions scheme only would mean that all new homes are built to the same higher technical standards whilst achieving the stated aim of alleviating some of the additional regulatory burdens on small house builders.

Question 5 – What are your views on the proposed review period for the exemption?

We support the Government's intention to review the exemption. Providing forward visibility is crucial to the effective functioning of a streamlined regulatory regime. Our view is that a five-year timeframe provides an appropriate period in which the value of the exemption as well as the overall effectiveness of the zero carbon standard can be assessed. An alternative would be to review the exemption alongside any future review of Part L of Building Regulations, but this may in practice be aligned in any case with the timescale indicated in the consultation document for the implementation of the EU Energy Performance of Buildings Directive.

Question 6 – Do you have any further evidence that would help inform the impact assessment?

The evidence base will be informed to a very significant degree by the eventual framework of the allowable solutions scheme. We would therefore welcome more information on this in the short-term and are keen to work with government to develop and implement a workable scheme that does not place too onerous a burden on house builders.