



HBF REPORT

Maximising the private sector's contribution to solving our housing undersupply crisis



May 2015

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Introduction

1. We very much welcome the new Government's continued commitment to increasing new housing supply. House building makes an immediate contribution to economic growth and jobs, while in the longer-term we need sustained high levels of home building to solve our housing undersupply and affordability crises.
2. The private sector will have to make a very significant contribution towards boosting new housing supply – we estimate at least three quarters of total supply. The private sector can deliver much higher levels of home building provided it has (a) a sufficiently long period of economic and housing market stability to boost production and rebuild industry capacity, and (b) a policy and regulatory environment that supports much higher levels of housing completions.
3. While a range of factors – economic, demographic, financial, industry, policy, regulatory – influence private supply, we believe a number of key policies will need to be addressed early in the new Government's term if we are to maximise the private sector's long-term contribution and build on the rising trend in private starts experienced over the last two years.

Commitment to Help to Buy Equity Loan extension to 2020

4. Help to Buy Equity Loan (HtB1) is an exceptionally effective and well-targeted scheme that has allowed the industry significantly to boost private housing starts (up 40% since the scheme's introduction). The coalition Government's extension to 2020 transformed the medium-term outlook for private home building. We welcomed the Conservative Party's subsequent Manifesto commitment to extending the scheme to cover another 120,000 homes. The scheme currently accounts for 35-40% of new home sales.
5. We urge the new Government to formalise the extension to 2020 as quickly as possible to avoid causing a hiatus in reservations and private housing starts. Because at present house builders cannot take reservations on properties completing beyond 31st March 2016, this restriction will begin to hit reservations and private starts in June or early July unless the extension to 2020 is formalised before then.
6. Consideration must be given within the first 18 months of the new Parliament to the likely situation post-2020 as builders are already making land-buying decisions taking account of the sales environment post-2020.

Consideration of Help to Buy Mortgage Guarantee

7. To avoid disruption to the housing market, Help to Buy Mortgage Guarantee, which accounts for around 5% of housing transactions, should only be withdrawn if it is clear high loan-to-value mortgages (especially 95%) will be provided by the market.

National Planning Policy Framework

8. The National Planning Policy Framework (NPPF) has created a significant improvement in the supply of permissioned, residential land for the first time in over two decades. It is essential that there is no fundamental redrafting of the NPPF as this would add delay, uncertainty and expense and could reverse the existing upward momentum in permissions. However we would encourage the Government further to strengthen the NPPF by considering a number of incremental technical improvements to the Framework and we will be happy to work with Government to effect these.

The role of the Planning Inspectorate

9. To ensure the NPPF remains effective, the new Government will need to continue to give its full support to the Planning Inspectorate (PINS) in its work on Local Plan preparation, in particular ensuring plans are based on an objective assessment of housing need, that they are robustly viability tested and that local authorities maintain a five-year supply of viable, deliverable land. PINS' role is absolutely essential to the success of the NPPF.

Resourcing Local Planning Authorities

10. Local authorities have a statutory monopoly over the grant of planning permission and control over housing land supply through our plan-led system. Therefore if we are to significantly boost housing supply, it is essential they have adequate resources and skills and that there are effective systems of incentives and penalties in place to ensure these key roles are fulfilled.

Development Management (End-to-end process)

11. The end-to-end planning application process still imposes unnecessary costs, uncertainties and delays on home builders and damages housing supply, especially for SMEs. We are very pleased that a number of the improvements suggested by HBF in July 2014 have already resulted in

policy announcements by the previous Government. We very much hope Ministers will continue to support the work already being undertaken by DCLG officials, working with HBF and its members, to improve the end-to-end process. In particular, inadequate development management resources and skills must be urgently addressed to ensure local authorities provide an efficient, cost-effective service to home builders.

Positive Planning

12. We also need a more effective system of incentives and penalties to encourage local authorities to adopt a more positive, supportive attitude towards boosting housing supply through the plan-led system. The New Homes Bonus was a welcome first step, but we would urge the Government to consider a broader range of incentives and penalties to encourage 'ownership' of plans and housing delivery rather than relying on PINS to enforce national policy.

Neighbourhood plans

13. Neighbourhood Plans are becoming an important part of engaging local communities but, since they are now a key part of the development plan, they must be open to similar levels of scrutiny and independent testing as the rest of the local plan process. This is particularly important where they are produced ahead of an adopted local plan.

Community infrastructure

14. There must be a thorough, early review of the Community Infrastructure Levy (CIL), S106 agreements and infrastructure funding. As implemented CIL has achieved few of its objectives. There must be a full assessment of its operation, fitness for purpose, impact on output and how levy receipts are spent. The unintended consequences of the April 2015 deadline for introducing local authority CIL charging schedules warrants urgent priority attention.

Supporting SME house builders

15. The number of SME house builders has fallen 80% over the last 26 years. Policies to reverse this long-term structural decline should include reforms to the end-to-end planning process, particularly the re-introduction of 'red-line consents'; requiring local authorities (through the NPPF) to allocate the widest possible variety of sites (by size, location, etc); an effective Builders Finance Fund (we are pleased with recent changes); and further work to encourage custom build.

Boosting brownfield land supply

16. We are keen to explore incentives, financial and other, to boost the development of brownfield land, including working with the Government and local authorities to implement Housing Zones, Local Development Orders, Starter Homes and the recently proposed Brownfield Regeneration Fund.

Devolution

17. As we move towards greater devolution within England, care must be taken to assess the long-term implications of devolved responsibilities and structures for planning and housing supply.

The role of the Homes & Communities Agency

18. The Homes and Communities Agency (HCA) should continue with its very important and largely successful role implementing and administering a range of Government housing policies. However it must be adequately resourced, nationally and regionally, with the right skills to implement its many specialist programmes. While the administration of programmes is often managed by regional offices, it is very important that the HCA has strong central guidance and management. This will become increasingly important as devolution evolves within England.

Release of public sector land

19. Speeding up the release of public sector land should continue to be a priority for Government and the HCA. HBF has recently worked closely with the HCA to draw up a set of recommendations for improving the public land disposal process, drawing on members' experience. (We would be happy to share our paper with Ministers and officials.) We will continue our close dialogue with HCA officials.

Skills in the house building industry

20. We would welcome a joint commitment between the HBF and Government to agree a future investment strategy for house building skills to meet industry requirements.



About HBF

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. The HBF's members account for around 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.

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*“The voice of the
home building
industry”*