HBA Newsletter

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Contents

Levelling Up and Regeneration Bill – progress report
(including proposed changes to the Infrastructure Levy and nutrient neutrality)

It is thought that the Levelling Up and Regeneration Bill may receive Royal Assent in November, after the Party Conference season.

It is now at Report stage in the House of Lords - and Parliament is in Recess until 4 September.

Seven days have been scheduled for Report stage. Four have taken place. Three remain, on 4, 6 and 17 September. https://bills.parliament.uk/bills/3155/stages/17727)

Infrastructure Levy amendments (see also HBA Newsletter, Issue 14, 2023)

On 19 July the House of Lords accepted amendments to the Levelling Up and Regeneration Bill to strengthen the Infrastructure Levy's provision of affordable housing (the Bill is currently at Report stage in the Lords).

Consultation on Regulations: DLUHC's spokesperson in the Lords, Baroness Scott, said she committed the government to undertake a further consultation "on fundamental design choices before developing infrastructure levy regulations".

Amendments accepted by the Lords: recent Government amendments (numbers 72 to 76) are intended to strengthen the provision of affordable housing by ensuring that "when setting their levy rates, local authorities must seek to ensure that the level of affordable housing that is funded - and the level of such funding provided by developers - can be maintained or exceeded as compared with existing levels", Baroness Scott said.

Amendment 79 made an express commitment to introduce a new right to require, whereby local authorities will be able to require developers to pay a portion of their levy liability in kind in the form of onsite affordable housing".

Amendments 78 and 80 would place a duty on the Secretary of State to "lay a report before each House of Parliament setting out the effect of the infrastructure levy on the provision of infrastructure and affordable housing".

Amendments 82 to 89 would provide the ability for the Secretary of State to disapply the levy.

Statutory consultees – power to charge for advice
On 13 July *Planning Resource* noted that recent House of Lords' amendments to the Levelling Up and Regeneration Bill (new clause 128) would give national statutory consultees powers to charge for providing "advice, information or assistance" on planning applications.

This would apply to "activity related to planning applications under the 1990 Planning Act, as well as applications for listed building consent and hazardous substances consent".

The fees could cover substantive engagement from pre-application discussions through to the discharge of conditions and reserved matters.

DLUHC's spokesperson in the House of Lords, Baroness Scott, said, "Our estimates indicate that the main national statutory consultees currently deal with around 50,000 applications per year, many of which involve substantive engagement with the applicant to address the issues. We estimate that this overall service costs around £60 million per year."

One commentator noted, "Many national statutory consultees already have the power to charge applicants for pre-application discussions, generally charging on an hourly basis…The new clause in the act could allow a wider range of statutory consultees to charge for their costs. We expect the government to publish regulations setting out how the charging scheme might operate."

The Planning Officers Society said the new clause put all statutory consultees on the same legal footing in terms of their ability to charge for their advice. "Delays in statutory consultees responding to planning applications are a major source of delay for councils determining them."

Savills noted that "The clause also requires all statutory consultees to be transparent in how they charge for their service"

British Property Federation said, "If a statutory consultee introduces a fee for planning applications, it must be proportionate to the amount of work involved in processing that application. It could be difficult to set a realistic charge level because some small applications can be more complex than larger ones."

DLUHC Minister, Baroness Scott, told the House of Lords committee that the Secretary of State would "reserve the right to make regulations to manage any impacts on applicants—for instance, in relation to SME developers and householders".

Nutrient neutrality: in the last few weeks, the media has reported that the Prime Minister, Rishi Sunak, and Secretary of State, Michael Gove, are "considering an amendment" to the Levelling Up and Regeneration Bill in the autumn to "change nutrient neutrality rules to unblock housebuilding."

The *Telegraph* said the change would allow proposed upgrades by water companies to unblock developments to be considered, even if work on mitigation measures had not yet started. One MP was reported as saying, "It is their intention to effectively forward count the benefits of future water quality mitigation schemes so as to allow the new homes that are stalled because of nutrient neutrality to be unlocked on the basis of those future commitments."

It was also reported that **CG Fry's appeal** against the High Court judgement on nutrient neutrality on phased schemes, reported in HBA Newsletter, Issue 14 *(Case Number* CO/12/2023), has been fast-tracked to the Supreme Court.

However, one commentator noted, "This landscape might change wholly irrespective of the outcome of the CG Fry case," adding that, even if it came forward, the legislation would take time to implement, meaning that "developers' nutrients headache are unlikely to disappear overnight."

Note: on 19 July DEFRA's Secretary of State, Thérèse Coffey, commented that "phosphorus is down 80% and ammonia by 85% in our rivers, compared to 1990 when water companies were privatised. The biggest environmental infrastructure investment from the water sector ever will now help us target action for protected nature sites as part of the new Plan for Water…"

In this context also see HBA Newsletter, Issue 14, reporting on the CG Fry case, where the Judge noted "The claim arises in the context of the issue of nutrient neutrality. In broad terms, this issue relates to the phosphate loading of protected water habitats, leading to eutrophication. This is caused by reasons including agricultural practices and under-investment in water infrastructure.

"There is a risk of the problem being exacerbated by water generated by new developments which contain phosphates, principally from foul water."

Steve Wielebsi commented that the housebuilding industry did not discharge nitrates and phosphates into the water environment; it was the occupier of a new home, and they paid for effectual and consequential wastewater treatment through the annual domestic sewerage charge.

Changes to the NPPF – Select Committee Report

On 10 July the Select Committee Report published its Report on Reforms to National Planning Policy.

It noted that this had been characterised by stop-start reform over several years, resulting in uncertainty among local authorities and the planning sector.

Timetable: the Government had not been clear on the timetable for its many planning consultations and when they would be implemented. Nor had it sufficiently evaluated the impact of its past NPPF changes to inform its current proposals.

'Advisory' 300,000 homes p.a: it was difficult to see how the Government would achieve its 300,000 net national housing target by the mid-2020s if local targets were only advisory. It had not provided sufficient evidence to demonstrate how the policy of removing mandatory local housing targets would directly lead to more housebuilding.

The Committee was sceptical of the Minister for Housing and Planning's confidence that greater local plan coverage would result in more housebuilding.

It noted that, if there was no longer a requirement for up-to-date local plans to continually demonstrates a five-year housing land supply, and if housing targets in local plans were to be made advisory, it did not necessarily follow that more local plan coverage would result in the same increases in housebuilding as under the current NPPF.

Brownfield sites alone could not deliver 300,000 net new homes per year in the long-term. In particular, the greater upfront cost of brownfield development meant there was less capacity to deliver affordable housing on these sites.

Housing need: the need for the urban uplift demonstrated that the standard method formula was not currently fit for purpose. The 35% urban uplift was an arbitrary figure, which was not calculated based on local housing need in the areas where it applies.

The Government planned to **abolish the Duty to Cooperate** without clearly setting out what it would be replaced with. This was despite the Government having agreed with the Select Committee's recommendation in a previous report that the Duty should not be abolished without a clear understanding of how it would be replaced with a new mechanism. By abolishing the Dut
to Cooperate, the Government was removing another incentive for local authorities to meet their local housing need.

The Government should instead be encouraging neighbouring local authorities to cooperate on housing delivery, particularly when planning development on their shared borders.

Infrastructure levy: it shared its predecessor Committee's view that when considering new mechanisms for land value capture it was vital that the Government learnt the right lessons from the past.

It was not clear that the new Infrastructure Levy (IL) as currently proposed would be swifter and simpler for local authorities to administer than the current CIL/Section 106 agreement regime.

The potential for multidimensional charging schedules with many different rates in each local authority, as well as the continued need to negotiate Section 106 agreements in parallel, unnecessarily risked making the new IL more complicated than the current system.

Amendments to the Bill would require local authorities to "seek to ensure" they deliver the same levels of affordable housing, but not if this would render development economically unviable. Therefore, there was still a risk that the new IL may not deliver as many affordable homes as the current regime.

National development management policies: It was regrettable that the Government had still not provided sufficient detail on the content of National Development Management Policies (NDMPs) for stakeholders to fully understand the impact they would have on the planning system.

https://committees.parliament.uk/publications/40872/documents/199083/default/

Parliamentary Inquiry into developer contributions

The All-Party Parliamentary Group on Housing and Planning has launched an inquiry into England's developer contributions systems, which will run over the summer.

The APPG is calling on local government, housebuilders, social and affordable housing providers and other interested academics, charities and businesses to submit evidence about the Government's proposed Infrastructure Levy and explore proposals to improve existing Section 106 (S106) and Community Infrastructure Levy (CIL) mechanisms.

The inquiry aims to build on the work of successive governments, parliamentary committees and other experts to recommend improvements to our planning system in recent years.

The objectives are:

- to assess the opportunities and challenges facing England's developer contributions systems today
- To collect evidence and the experiences of organisations, professions and people using Section 106 and CIL to enable development
- To assemble and review proposals made to improve the performance of England's developer contributions mechanisms in recent years
- To help parliamentarians understand the nature of responses submitted to the Department for Levelling Up, Housing and Communities' recent technical consultation on the Infrastructure Levy
- To make recommendations to Government on the future direction of its planning reforms

Responses to this inquiry should be submitted by 5 September using the link below.

https://www.rtpi.org.uk/policy-and-research/all-party-parliamentary-group-appg-on-housing-and-planning/developer-contributions-inquiry/

Clean air zones, housing & Natural England

Most recently the *Telegraph* reported that Natural England's review of mitigation measures could be used to limit new development in more than 330 Natura 2000 sites across the country. Epping Forest Council has been advised by Natural England that it could not approve new developments unless it simultaneously introduced measures to control air pollution. A consultant employed by Natural England has investigated the use of low emission zones or clean air zones.

Natural England – nature recovery network

On 20 July DEFRA announced that, together with Natural England, it had launched nature recovery projects covering 176,000 hectares of land across England to "showcase delivering nature recovery at scale" to help to manage flooding and wildfire risks, improve carbon stores and build diverse habitats for wildlife. This project would be supported by £7.4 million funding.

- **Cumbria** – over 100,000 ha from the Eden Valley to the North Pennines, supporting land managers to create habitats.
- **Cheshire to Lancashire**, over 5,000ha; to reclaim and restore wetland habitats in South Greater Manchester and North Cheshire, helping to support the government's commitment to bring people closer to nature, with everyone living no more than 15 minutes from a green space.
- **Tees Estuary, Northumbria** – over 11,000ha to improve, create and restore coastal, estuarine and land-based habitats.
- **Heathlands, Surrey** - 16,000ha –to restore, enhance and connect rare lowland heathland habitat within the western section of the Surrey Hills AONB.

- **Bradford and South Pennines, Yorkshire and North Lincolnshire** – 30,000 ha - to restore and enhance the condition of the upland peat landscapes in the South Pennines

- **Seaford to Eastbourne, Sussex and Kent** – 12,000 ha of the South Downs, to integrate habitat and natural flood management schemes

Local Plan Update & 5-year housing land supply

Local Plans

Wandsworth: the Inspector found the Local Plan sound on 23 June subject to a number of Main Modifications.

The plan period extends beyond the 10-year housing requirement set out by the London Plan and the Wandsworth Plan carries forwards the housing requirement of 957 new homes per annum to establish a housing requirement for the 15-year Plan period of 20,313 new homes.

The Plan said it was likely that housing completions in the Borough were likely to exceed this requirement within the plan period with completions likely be up to approximately 26,315 new homes.

The Main Modifications included:

- amending Policy LP4 Tall and Mid-rise Buildings to ensure 'general conformity' with the London Plan, along with ensuring that the Area Strategy and Site Allocation Policies are consistent with this approach;
- adding, amending or deleting site allocations and designations to ensure consistency with the NPPF and general conformity with the London Plan in particular in regard to the Area Strategy for Nine Elms.

5 Year Housing Land Supply

Waverley: *Planning Resource* notes that a planning inspector has cited an authority's "significant" housing land supply shortfall in allowing an appeal against refusal of a scheme for 146 houses after the LPA's annual housing requirement rose 32%.

In 2020 Waverley Borough Council refused permission for the outline plans for 146 homes in Farnham, citing a 5.9-year housing land supply.

However, the planning appeal inspector's report observes that the development plan comprised LPP1 (adopted 2018) and LLP2 (adopted in 2023), together with the 2020 Farnham neighbourhood development plan. LPP1 set strategic policies and LPP2 allocated housing sites and development management policies.

The inspector’s report noted that a review of LPP1 had concluded that the strategy needed updating, with the difference between the existing strategic housing requirement and the government’s standard method-derived figure for housing need being a “significant matter”.

The council and the appellant agreed in the statement of common ground that the LPP1 was more than five years old so that the government’s standard method should be used to calculate the housing requirement.

LPP2 provides for 11,210 new homes between 2013 and 2032 (590 homes per annum), significantly less than the 779 required by the standard method.

Furthermore the 12.17-hectare appeal site was not currently within the nearby Surrey Hills area of outstanding natural beauty (AONB), but Natural England had identified it as meeting the criteria for designation as an AONB in a recent review of its boundary, so its status as a “candidate area for designation” did not “confer any additional planning protection”.

Basildon: its latest housing land supply paper stated that it could demonstrate a 1.85 year supply of deliverable sites between 2022 and 2027.

Basingstoke and Deane: in an appeal decision letter, an inspector found that Basingstoke and Deane Borough Council could demonstrate a 4.2 year supply of deliverable housing sites.

Wiltshire: its latest housing land supply position states it could demonstrate a 4.6 year supply of deliverable housing sites.

Freehold Estate Management Fees

On 13 July MP Helen Morgan (North Salop, LD) introduced a Westminster Hall debate raising her concerns about freehold estate management fees.

Responding, the Housing Minister said government remained committed to legislating soon, because fairness must be at the heart of the housing system. Arrangements for the upkeep of open spaces and roads on freehold estates should always be clear to potential homebuyers, and costs charged must be transparent and reasonable.

Homeowners must have access to redress when things went wrong and be empowered to hold their estate management companies to account.

She drew members’ attention to the Competition and Markets Authority’s market study on housebuilding; part of which would examine the fairness of estate management fees charged for unadopted roads and amenities and make recommendations about policy and regulatory changes.

People had encountered unfinished roads, half-built playgrounds and a lack of recourse to resolve those issues, all of this was unacceptable. Government had been clear that new housing developments must be finished on time and to a high standard. If things went wrong, homebuyers must be treated promptly and fairly, she said.

Ox-Cam Arc update

Recently the *Times*, whilst making no specific reference to the Ox-Cam Arc, talks of moving the focus from the whole of the Arc to Cambridge, reporting that the Secretary of State, Michael Gove, is considering "**California on the Cam,"** codenamed "Cambridge 20/40" – thereby making it the Silicon Valley of Europe.

This idea was reported to be at concept stage but could include identifying land around Cambridge for new business parks, laboratories, and science hubs. Local Councils were, the *Times* said, already considering plans for "tens of thousands of new homes by 2050 but Gove thought it could be increased by 200,000 – 250,000, as well as new rail/tram/bus routes putting the local plan "on steroids" according to one source.

Building Safety – BRE and material producers

Housing Today reported on 5 July that the Building Research Establishment (BRE) had confirmed it was no longer accepting new work from Kingspan and Celotex.

A spokesperson for BRE said, "BRE no longer accepts any new work on behalf of Kingspan or Celotex following evidence heard during the course of this [Grenfell] Inquiry."

BRE first informed Kingspan of its decision last August and it has recently sent a letter to clients advising them of this.

A spokesperson for Kingspan said BRE had discontinued the relationship with Kingspan "irrespective of product type, despite our products being in full compliance with relevant Building Regulations and with the test performance requirements of the relevant LPCB Loss Prevention Standards. There is no product performance or compliance basis for BRE's decision.

"Kingspan Insulated Panels is committed to manufacturing and supplying products that adhere to leading global quality and testing standards, supported by extensive testing and certification of the highest integrity.

"Independently of BRE, whose certification is regionally focused on the UK and Ireland, Kingspan is certified by the globally recognised insurer testing regime FM Approvals, which carries out annual factory surveillance audits to verify our products comply with its global approval standards."

Social Housing Bill become law

The Social Housing (Regulation) Act received Royal Assent on 20 July.

Its provisions include:

- strengthening the Regulator of Social Housing to carry out regular inspections of the largest social housing providers and the power to issue unlimited fines to rogue social landlords.
- additional Housing Ombudsman powers to publish best practice guidance to landlords following investigations into tenant complaints
- powers to set strict time limits for social landlords to address hazards such as damp and mould
- new qualification requirements for social housing managers
- introducing stronger economic powers to follow inappropriate money transactions outside the sector
- changes to what activities the Regulator can charge landlords fees for.

Government expects **future changes to fee-charging** to see all social housing providers – both private registered providers and local authority landlords – paying for regulation costs. This will include new consumer standards as well as other costs such as investigating when things go wrong.

The Regulator will shortly publish consultation on **new consumer standards** to help protect tenants; the regime is expected to go live in April next year.

Moving away from gas - Hydrogen Villages - update

On 12 July the government announced that it would no longer consider Whitby, Ellesmere Port, as a trial hydrogen village site. A decision on whether to proceed with a trial at Redcar, Teesside with Northern Gas Networks (NGN) would be made later this year.

Last year Ofgem reduced the number of possible locations for a large-scale hydrogen heating trial to two.

In March this year Cadent and NGN submitted detailed design proposals for Whitby, Ellesmere Port and Redcar, Teesside.

Whitby was selected as the "preferred proposal" by the Department for Energy Security and Net Zero (DESNZ).

Energy Minister Lord Callanan said a lack of local support meant the high-profile project has been shelved.

The proposals submitted by Cadent and NGN were applications for funding to convert a large village to hydrogen or alternative heating solution instead of natural gas.

The government plans a large-scale trial from 2025 to replace natural gas appliances with hydrogen-compatible equivalents - such as hydrogen-ready boilers - in up to 2,000 homes, with the gas to be piped to premises over a two-year trial period through an "appropriately modified" network.

“Green groups” argue that hydrogen should be used to decarbonise industrial processes rather than domestic heating, where significant emissions reductions could be delivered through a switch to heat pumps.

[Watered down] Investment Zones

On 14 July the Treasury announced the first of twelve Investment Zones. The first will focus on Advanced Manufacturing and be based in South Yorkshire.

The twelve Investment Zones are to be established across the UK based around a university and clusters of high growth industries like Advanced Manufacturing, life sciences or green industries.

At the 2023 Spring Budget the Chancellor of the Exchequer announced eight places in England as eligible to host an Investment Zone. These are:

- The proposed East Midlands Mayoral Combined County Authority
- Greater Manchester Mayoral Combined Authority
- Liverpool City Region Mayoral Combined Authority
- The proposed North East Mayoral Combined Authority
- South Yorkshire Mayoral Combined Authority
- Tees Valley Mayoral Combined Authority
- West Midlands Mayoral Combined Authority
- West Yorkshire Mayoral Combined Authority

Government would continue to work with South Yorkshire Mayoral Combined Authority, the University of Sheffield, Sheffield Hallam University and other local partners to co-develop the plans for their Advanced Manufacturing Investment Zone, including agreeing priority development sites and specific interventions to drive cluster growth, over the summer ahead of final confirmation of plans.

A joint announcement by the UK and Scottish Governments said there would be two Investment Zones in Scotland, with Glasgow City Region and North East of Scotland offering the most potential to host these.

Each Investment Zone would be backed with £80 million for a range of interventions which could include skills, infrastructure and tax reliefs, depending on local circumstances.

Comment: the Zones are the greatly watered-down successor to those proposed by the former Prime Minister, Liz Truss (see HBA Newsletter, Issue 46, 2022).

Speaking to the 2022 Conservative Party Conference Truss said the Zones would help levelling up, honing-in on areas where they would have the greatest impact on growth and housing supply.

However, in March this year the Centre for Cities observed that the new plans were very different from the original concept, with the *Financial Times* concluding they were a significant scaling back of Truss's plans, which had hinted at planning freedoms and exemption from some environmental standards.

Director-General for Regeneration, Housing and Planning leaves DLUHC

On 17 July it was announced that Emran Mian would leave DLUHC where he has been Director General for Regeneration, Housing and Planning, to join the Department for Science, Innovation and Technology (DSIT) as Director General for Digital, Technology and Telecoms.

Mian had responsibility for housing and planning policy and programmes in England, as well as the delivery of the Department's UK-wide local growth funds.

The Economy

Consumer Price Inflation, June

On 19 July the Office for National Statistics published Consumer Price Inflation data for June.

CPIH

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 7.3% in the 12 months to June, down from 7.9% in May.
- On a monthly basis, CPIH rose by 0.2%, compared with a rise of 0.7% in June last year.

CPI

- The Consumer Prices Index (CPI) rose by 7.9% in the 12 months to June, down from 8.7% in May.
- On a monthly basis it rose by 0.1% in June, compared with a rise of 0.8% in June last year.
- Core CPI (excluding energy, food, alcohol and tobacco) rose by 6.9% in the 12 months to June, down from 7.1% in May, the highest rate since March 1992; the CPI goods annual rate slowed from 9.7% to 8.5%, while the CPI services annual rate eased from 7.4% to 7.2%.

GDP Monthly Estimate, May

On 13 July the Office for National Statistics published the monthly GDP estimate for May.

Monthly

- Monthly real gross domestic product (GDP) is estimated to have fallen by 0.1% after growth of 0.2% in April, unrevised from the previous estimate.

Services output showed no growth, after growing by 0.3% in April, unrevised from the previous publication.

Production output fell by 0.6% after a fall of 0.2% in April 2023, revised up from a fall of 0.3% in the previous publication (this sector was the main contributor to the fall in monthly GDP).

The construction sector fell by 0.2% following a fall of 0.9% in April, revised down from a fall of 0.6% in the previous estimate.

Quarterly

- GDP did not grow in the three months to May.

Public Sector Finances, June

On 21 July the Office for National Statistics published public sector finance data for June.

- Public sector **net borrowing** excluding public sector banks (PSNB ex) was £18.5 billion, £0.4 billion less than in June 2022, and the third-highest June borrowing since monthly records began in 1993; higher tax receipts and a substantial fall in debt interest payable compared with June 2022, were largely offset by increased benefit payments and other costs.
- The **interest payable** on central government debt was £12.5 billion, £7.5 billion less than the record £20.0 billion in June 2022 and the third highest in any single month on record.
- PSNB ex in the financial year to June was £54.4 billion, £12.2 billion more than in the same three-month period last year but £7.5 billion less than the £61.9 billion forecast by the Office for Budget Responsibility.
- Public sector **net debt** (PSND ex) was £2,596.2 billion at the end of June 2023 or provisionally estimated at around 100.8% of the UK's annual gross domestic product (GDP), continuing at levels last seen in the early 1960s.
- This month ONS revised down its end-of-May 2023 estimate of public sector net debt as **a ratio of GDP by 0.2% from 100.1% to 99.9%** with the latest published GDP estimate indicating that the output of the economy was higher than its initial estimate
- Excluding the Bank of England, public sector **net debt** was £2,330.3 billion or c. 90.4% of GDP, £265.9 billion (or 10.4%) lower than the wider measure.
- Central government **net cash requirement** (excluding UK Asset Resolution Ltd and Network Rail) was £20.1 billion in June 2023, £1.7 billion above the £18.4 billion OBR forecast.
- Public sector **net worth** (PSNW ex) was in deficit by £646.1 billion at the end of June 2023; this compares with a £538.5 billion deficit at the end of June 2022.

Labour Market – March to May

On 11 July the Office for National Statistics published labour market data for March to May.

Employment: the UK employment rate was estimated at 76.0%, 0.2 % higher than December 2022 to February 2023; mainly attributed to part-time employees.

The estimate of payrolled employees for June 2023 shows a monthly fall, 9,000 lower than the revised May figure, to 30.0 million. (the June 2023 estimate should be treated as a provisional estimate and was likely to be revised when more data is received next month).

Unemployment: the unemployment rate rose by 0.2 % on the quarter to 4.0%, driven by people unemployed for up to 12 months.

Economic inactivity: the economic inactivity rate fell by 0.4 % on the quarter, to 20.8%, largely driven by those inactive for other reasons (looking after family or retired).

Pay: growth in employees' average total pay (including bonuses) was 6.9% and growth in regular pay (excluding bonuses) was 7.3%.

For regular pay, this was the highest growth rate, which was also seen last month and during the coronavirus (COVID-19) pandemic period for April to June 2021.

In real terms (adjusted for inflation), growth in total and regular pay fell on the year, by 1.2% for total pay and 0.8% for regular pay.

UK Trade, May

On 13 July the Office for National Statistics published trade figures for May.

- The **value of goods imports** rose £2.0 billion (4.2%) with a rise in imports from both EU and non-EU countries; after removing the effect of inflation, imports of goods increased by 5.9%.
- The **value of goods exports** fell £1.4 billion (4.4%) with a fall in exports to both EU and non-EU countries; after removing the effect of inflation, exports of goods fell by 3.2%.
- The rise in imports from the EU was because of an increase in imports of cars from Germany, probably linked to the easing of supply chain issues; imports from EU countries had been consistently greater than from non-EU countries since late 2022.
- The **total trade in goods and services deficit** narrowed by £5.9 billion to £18.2 billion in the three months to May compared with the three months to February, resulting from a larger fall in imports and a rise in exports.
- The **trade in goods deficit** narrowed by £6.2 billion to £54.7 billion in the three months to May, while the **trade in services surplus** narrowed slightly by £0.3 billion to £36.5 billion.

Retail Sales, June

On 21 July the Office for National Statistics published retail sales data for June, showing:

- **Month on month,** retail sales volumes were estimated to have risen by 0.7% with increases across all the main sectors (food, non-food and non-store retailing) except automotive fuel, following a rise of 0.1% in May 2023 (revised from an increase of 0.3%).
- **Quarterly**: retail sales volumes rose by 0.4% in the three months to June 2023 compared with the three months to March 2023.
- Non-food stores sales volumes rose by 1.0% in June 2023, following a fall of 0.5% in May; department stores and furniture retailers reported that summer sales and increased footfall helped boost volumes.
- Food stores sales volumes bounced back with 0.7% growth, following a fall of 0.4% in May, with feedback from some supermarkets that the good weather and promotions helped sales.
- Non-store retailing sales volumes rose by 0.2%, following a rise of 2.4% in May.
- Automotive fuel stores sales volumes fell by 0.3%, following a rise of 1.7% in May.

The Market

UK House Price Index for May

On 19 July the Office for National Statistics published the House Price Index for May, finding that:

- **Month on month**, on average, house prices had not changed since April
- the **annual** price rise was 1.9%.

England

Month on month, in England, house prices had fallen 0.4% since April.

Annual: the annual price rise was 1.7%.

Regionally:

- the greatest monthly rise was in the West Midlands (0.5%) and
- London recorded the greatest fall (-1.2%)
- Annually, the North East experienced the greatest annual price rise, (4.0%)
- the East of England saw the lowest annual price growth (0.0%)

Repossession sales by volume for England, March

The lowest number of repossession sales in March was in the East Midlands and East of England.

The highest number of repossession sales in March 2023 was in the North East.

Funding and buyer status for England

Transaction type	Average price May 2023	Annual price change % since May 2022	Monthly price change % since April 2023
Cash	£284,143	1.4	-0.4
Mortgage	£313,219	1.8	-0.5
First-time buyer	£251,894	1.7	-0.3
Former owner occupier	£348,052	1.6	-0.6

Building status for England

Building status	Average price March 2023	Annual price change % since March 2022	Monthly price change % since February 2023
New build	£439,033	19.5	0.8
Existing resold property			

Wales: monthly house prices rose 0.6%.

Annually they rose 1.8%.

There were 6 repossession sales in March.

Barratt trading update

On 13 July Barratts issued a trading update for the year ended 30 June**.**

Completions - 2023 and 2024: completions stood at 17,206 (FY22: 17,908) including 828 from JVs (FY22: 746).

It anticipated total home completions would be in a range of 13,250 to 14,250 in the full year 2024, including c. 650 completions from its JVs and c. 750 completions for the private rental sector.

Reservations: net private reservations per active site: 0.55 p.w (FY22: 0.81) down 32.1%. including a contribution of 0.10 (FY22: 0.03) from increased reservations into the private rental sector and to registered providers of social housing.

Forward sales: on 30 June total forward sales (including JVs) stood at 8,995 homes (30 June 2022: 13,579) with the order book normalising to more typical levels of next year's completions.

It experienced a significant deterioration in demand during the second quarter and, whilst the position improved during the third quarter, reservations then slowed more than normal seasonal trends from mid-May to the end of June 2023.

The 8.7% reduction in the private order book ASP reflected four factors:

- The increased use of sales incentives, notably from late September 2022
- A lower proportion of London units;
- Increased reservations into the private rental sector, principally Citra Living; and
- Some offset through a greater proportion of larger homes, outside of London, within the order book on 30 June 2023, relative to the position on 30 June 2022.

Since its last trading update covering the period to 23 April 2023, our net private reservation rate was 0.67 (FY22: 0.70), including a contribution of 0.24 (FY22: 0.02) from reservations to the PRS and RPs, largely arising from a significant sale of 604 homes to Citra Living in June 2023.

First time buyers: following the end of **Help to Buy** and rises in mortgage interest rates, first time buyer reservations in the year fell by 49% compared to FY22 and accounted for more than half the fall in our total reservation rate.

Part exchange: remained carefully controlled, with part exchange used on 11% of private reservations in the year (FY22: 4%).

Holdings of unsold part exchange stock, at 146 homes at the year-end (30 June 2022: 31), remained below those of the two years before the pandemic.

Sites: it operated from an average of 367 (FY22: 332) active sales outlets (including 8 JVs (FY22: 7)). The rise included the opening of 104 new sales outlets in the year (FY22: 118) together with the impact of the slower private reservation rate, which extended the sales activity of several outlets.

On 30 June 2023 it was operating from 389 (30 June 2022: 352) active sales outlets (including 9 JVs (30 June 2022: 9)).

In FY24, it expected **average active sales outlets**, including JVs, to fall by around 6% reflecting both reduced outlet openings given its step back from the land market and the impact of sites ending where sales activity was extended by lower reservation rates, but it would still be operating with average outlets higher than those in FY21 and FY22.

Total build cost inflation of between 9% and 10% in FY23, was in line with previous guidance. Reflecting the slowdown in the market, it expected total build cost inflation to abate, with average total build cost inflation anticipated to be around 5% in FY24.

eHome2: it launched and tested the 'eHome2' within the Energy House 2.0 at the University of Salford.

Biodiversity: it was identifying a minimum biodiversity net gain of 10% across all new development designs submitted for planning - this began more than nine months ahead of legislation.

Land: given the market backdrop, it stepped back from the land market in September 2022 and adopted a highly selective approach to buying land, particularly as prevailing land prices had not yet adjusted to the changed market conditions.

As a result, **gross site approvals** rose by 31 new sites during the year, including two sites through planning amendments. These were offset by 33 previously approved sites which, reflecting their economic viability in the market, would no longer proceed, resulting in a net decrease of two sites in the year (FY22: net approval of 102 sites).

The **approved sites** along with planning amendments added 4,821 plots, with 5,633 plots removed with respect to the sites no longer proceeding,. The result was a net reduction of 812 plots in the year (FY22: net addition of 19,089 plots).

In line with its operating framework, it continued to target an owned and controlled land bank of around 4.5 years in the medium-term.

Reflecting the developable strength of its existing land bank, the ongoing volatility in the sales market and only a modest reduction in residential land values, it anticipated maintaining its highly selective approach to land buying for the foreseeable future.

Costs associated with legacy properties: adjusted items recognised in the year related to costs associated with legacy properties and totalled c. £180m (FY22: £412.5m) (including JVs).

Of this total charge c. £115m (FY22: £377.7m) relates to future commitments in relation to fire safety and external wall systems with c. £60m (FY22: £34.8m) relating to remedial works arising from the review of reinforced concrete frames announced in July 2020, following the issues discovered at Citiscape. A further c. £5m was expensed in the half in relation to two other separate developments where investigations were ongoing.

Fire safety and external wall systems: the additional costs related to: an increase in the number of buildings within scope, from 223 on 30 June 2022 and 228 on 1 January 2023, to 278 at year end, following the signing of the Self-Remediation Terms and Contract in March 2023; an update to cost estimates across the portfolio; offset by a reduction due to an increase in the discount rate applied to the provision, arising from the recent increase in UK gilt rates.

Finance: as of 30 June 2023, the Group held net cash of c. £1,070m (30 June 2022: £1,138.6m) and an undrawn committed revolving credit facility of £700m, extended during the year to mature in November 2027.

The year end net cash position reflected strong working capital discipline, the completion of the £200m share buyback and reduced land spend of c. £820m (FY22: £1,036m).

Land creditors, at the end of the financial year of around £511m (30 June 2022: £733.6m), equated to c. 16% (30 June 2022: 22.0%) of the owned land bank.

Vistry – 6-month trading update

On 20 July Vistry issued a trading update for the period 1 January to 30 June 2023.

Following the recent increase in the Bank Rate and mortgage costs there had been a slowdown in the open market private sales rate, with both Partnerships and Housebuilding mitigating this through bulk transactions.

Average weekly sales rate was 0.86 (2022: 0.84); excluding bulk sales in Housebuilding it was 0.67 (2022: 0.82).

Countryside: the integration of Countryside was well progressed, and the Group is on track to deliver £25m of synergies from the combination in FY23 and the full run rate of £60m by the end of FY24.

Partnerships: delivered 3,203 (2022: 1,106) mixed tenure completions, 6% higher on pro forma H1 22.

Adjusted revenue for H1 23 should be c. £930m (2022: £426m) including c. £240m (2022: £204m) partner delivery revenue.

Land: in H1 it secured 3,848 (2022: 2,166) plots on 10 sites (2022: 12) for mixed tenure development. 95% of the land for FY23 completions and 85% of the land for FY24 completions was secured.

80% of forecast FY23 mixed tenure units were secured and all of forecast FY23 partner delivery revenues.

Housebuilding delivered 2,847 (2022: 3,219) completions: 22% lower on proforma H1 22, reflecting the more challenging market conditions. However, the forward sales position saw 76% of forecast FY23 units secured.

In recent weeks, Housebuilding had implemented tighter controls around work in progress, with investment restricted to sold units, and site starts, and new phase starts being carefully considered.

Land: it secured 3,058 (2022: 3,360) plots across 14 (2022: 16) sites. Housebuilding has a strong deliverable pipeline of land with all of the land for FY23 forecast completions and 95% of the land for forecast FY24 completions secured.

Homes England and Sage Homes: the Group secured a further £67m from Homes England to deliver grant funded affordable homes under the current Affordable Homes Programme running to 2026, bringing the total Strategic Partnership affordable housing grants funding to £150m and enabling Vistry to deliver around **2,400 affordable homes** in partnership with housing associations and local authorities across England.

This grant funding was instrumental to its recent partnership with Sage Homes where, through Sage's new Home Stepper shared ownership model, it would deliver an initial portfolio of around **800 shared ownership homes** nationally across both Countryside Partnerships and Vistry Housebuilding.

Build costs: it continued to target the offset of build cost increases in FY23 after the benefit of cost synergies and, reflecting the anticipated decline in overall industry output, saw opportunity to work with its supply chain partners to reduce costs going forward.

Timber frame: it had re-opened the (renamed) Vistry Works East Midlands timber frame manufacturing plant earlier this month and with its two factories in Warrington and Leicester it had capacity to deliver 5,000 new timber frame homes in FY24 for both Partnerships and Housebuilding.

Finance: on 30 June net debt stood at c. £330m and should reduce to c. £150m as of 31 December 2023

It expected to deliver adjusted profit before tax for FY23 in excess of £450m.

Redrow closes two divisions

On 19 July Redrow announced it would two of its 14 regional divisions (Southern and Thames Valley) as part of a restructure to "manage overhead." It would continue to serve these areas from neighbouring divisions. Its CEO told staff, "As a board we have had to make the difficult decision to close our South and Thames Valley divisions, and there will also be wider proposed reductions in headcount across the business."

L&G Affordable Homes

L&G Affordable Homes Ltd: 1,363 homes were added to the portfolio in the year ended December 2022. It had 6,200 homes in its development pipeline.

It recorded a £7.5m loss on revenue of £19m. This compared to a profit of £7.4m in 2021. The loss was "largely driven by higher debt servicing costs and revaluation losses on its investment property portfolio".

The cost of financing the business rose from £4.6m in 2021 to £10.8m last year as interest rates rose.

It continues its strategy of transferring some of its homes to a sister firm, Legal & General Affordable Homes (AR) LLP once completed, with 527 moved across in the year, leaving LGAH Ltd with 2,092 homes under its own management of the 3,000 constructed so far.

Aldermore Bank and NFB: Finance and funding survey

NFB in conjunction with its associate member, Aldermore Bank would like to understand member and industries finance and funding needs. We have put together a short survey, which should take no more than a couple of minutes to complete but give us a good picture of what industry needs, where we should be targeting support and how best support the construction sector.

This knowledge will also help NFB Policy identify ways to better support members and lobby the Government for appropriate assistance in funding, regulation, and policy

Find the survey here:
https://www.surveymonkey.co.uk/r/MP3CB39

HBA Housebuilders survey

This House Builders Association (HBA) survey is a rolling survey, which helps us identify what industries main challenges are, so we can inform decision makers, such as politicians, what they are getting right and what they need to improve.

With the Government likely to draw planning into the 'Levelling Up whitepaper,' it is an ideal opportunity for you to complete this survey and help us lobby for the changes SME housebuilders need.

Find the survey here:
https://www.builders.org.uk/policy/survey-page/hba-housebuilders-survey/

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