HBA Newsletter

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Contents

Gove is right to give Homes England planning powers

Homes England, the non-departmental public body responsible for funding new affordable housing in England, has always had the potential for placemaking, but no government has given them the necessary powers. However, in his housing speech on 24 July 2023, Michael Gove became the first secretary of state to accept that Homes England's role should be expanded, as he intimated that he would give them masterplanning and planning approval powers to deliver the Cambridge vision.

Since 2015, the House Builders Association (HBA), the housing arm of the National Federation of Builders (NFB), has been advocating for Homes England, (formerly the Homes and Communities Agency or HCA), to be granted these planning powers because localism has had a somewhat complex relationship with spatial planning, too often resulting in a scaled-back housing and employment ambition. It is reassuring to see that our recommendations and reasoning have finally been noted.

Mr. Gove has clearly recognised this in Cambridge and considers central intervention as the best chance to enable the cities 'science superpower' credentials. A 'call for evidence' on Homes England's effectiveness, purpose, and collaborative qualities has also been released, which closes on September 15, 2023.

Additionally, the 'Investment Zones Policy Prospectus', has identified five key employment sectors to be delivered in eight potential devolved regions.

All these developments are beginning to feel like spatial planning through the backdoor.

Alongside the proposed National Development Management Policies (NDMP) in the Levelling-up and Regeneration Bill (LURB), there appears to be several mechanisms that can deliver a model more closely aligned with the European planning outcomes that Mr Gove reveres.

This should excite the broader planning community, Mayors, employers and county councils, because since regions have required localism buy in from numerous local authorities, it has been impossible to recreate and sustain the successes of the automotive industry in the West Midlands, textiles in Greater Manchester, engineering, shipbuilding and steel in Yorkshire and the North East, or ceramics in Stoke-on-Trent.

With the South East being a hub for renewable innovation, the South West growing its reputation for battery innovation, free ports unlocking coastal communities, and other regions modernising their outlook, it is time for the Cambridge model to be considered as a starting point for economic growth and placemaking opportunities for all.

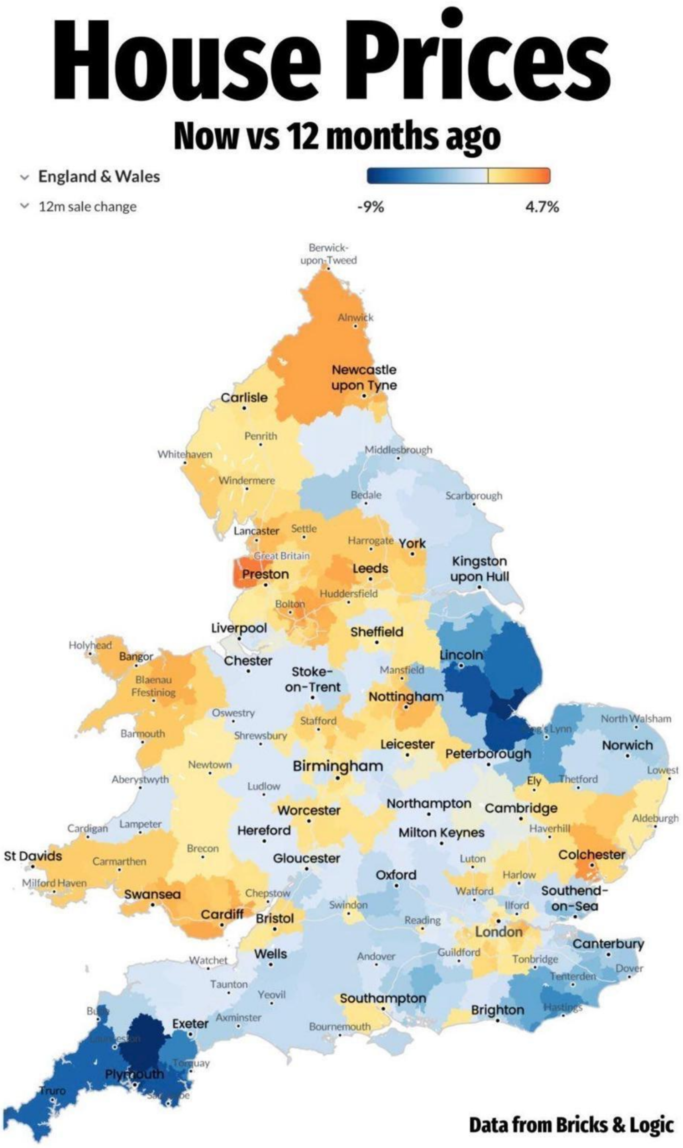
Evidently, there will be bumps in the road, already seen by the watering down of the Ox-Cam Arc - a transport, housing and placemaking project between Oxford, Milton Keynes and Cambridge. However, this should not deter a push for desperately needed planning reforms.

As an example, in our LURB National Planning Policy Framework consultation response, the HBA proposed Sectoral Development Management Plans (SDMP) and Devolved Development Management Plans (DDMP). The NFB believes this will ensure greater flexibility to enable strategic agglomeration of growth opportunities.

There is, of course, one elephant in the room - land use. However, with Homes England's ability to purchase and arrange land, we hope that the Government will expand their remit either to regions where growth is opposed by the party politics of localism, where new towns or developing ambitions need a strategic push, or in areas where housing affordability and under-supply is hindering growth.

Bricks and Logic's regional house price tracking map

With national annual house prices dropping 2.6% in June and mortgage lenders pulling many products from the market, Bricks and Logic have released their regional house price tracking map, which confirms a national slide in prices but identifies that not every regions is experiencing the same outcomes.



Prime Minister declares "We will build a million new homes in this Parliament"

On 24 July the Prime Minister, Rishi Sunak, and Secretary of State, Michael Gove, announced their plans for delivering a million new homes, largely through "regeneration, inner-city densification and housing delivery" (viz. not in the countryside) - "beautiful safe decent homes in places with high-growth potential" in partnership with local communities.

Sunak said, "…we will meet our manifesto commitment to build 1 million homes over this Parliament…we want more people to realise the dream of owning their own home [and] we won't do that by concreting over the countryside – *our plan is to build the right homes where there is the most need and where there is local support, in the heart of Britain's great cities*."

Renewed focus on brownfield: Gove told the media that the government's renewed commitment to housebuilding would usher in a "21st century renaissance for our great cities" involving an "unashamedly... Heseltinian approach".

The government could "absolutely solve the housing crisis with most new buildings taking place in cities", citing 4, 5 and 6 storey blocks in Marylebone, London, and Bristol. Most major cities outside London were less dense but "have significantly larger areas of space available for development than our competitors and neighbors" and wanted development corporations in Birmingham, Liverpool, and Manchester to deliver them.

Gove announced that another three towns and cities would be added to government plans to regenerate the 20 already announced; the latest additions would be in Cambridge, central London and central Leeds.

£800 million would be allocated from the £1.5 billion **Brownfield Infrastructure and Land Fund** to unlock "up to 56,000 new homes" (see report, below, on this fund).

Delivering new homes through the planning system: reforms to the planning system would speed up new developments, putting power in the hands of local communities, unlock planning decisions and clear backlogs with a £24 million **Planning Skills Delivery Fund** to scale up local planning capacity.

A new "**Super-Squad**" of leading planners and other experts were being charged with working across the planning system to unblock major housing developments.

There would be "a '**Docklands 2.0'** vision in East London, with up to 65,000 homes across multiple sites of significant scale including Thamesmead, Beckton and Silvertown. Government had made £1 million available to work with the Mayor to consider how to drive housing delivery in London, including looking at innovative new ways that industrial land can be released for housing.

It would work with local partners in **central Leeds** to regenerate the city centre and consider how a mass transit system across West Yorkshire could open up the city to more workers.

Cambridge would be supercharged as Europe's science capital. It would include a new quarter of up to 6,000 homes in well-designed, sustainable and beautiful neighbourhoods.

Land value capture: Government would deliver as much of the infrastructure and affordable housing as possible using land value capture.

A Delivery Group led by Peter Freeman (Homes England) would drive the project forward and consider an appropriate delivery mechanism for long-term planning, land acquisition and engagement with developers. Money would be provided to assist with planning capacity.

Government viability guidance set out that, when undertaking a viability appraisal, the value allowed for the purchase of land should in general be based on the value of the land in its existing use, plus an appropriate premium for the landowner. The government intended to explore recommendations about what a reasonable premium to agricultural landowners should be.

Government would consult to inform the policy on a reasonable premium for landowners above existing use value to support the development of plans for the new Cambridge quarter. To the extent that infrastructure and affordable housing need justified this position, it anticipated that policy will be set to capture land value uplift above the premium. This would enable landowners to receive fair compensation for their land while minimising the public sector investment required to bring the development forward. [**Note:** Land value capture has never been shown to work. In whatever guise it has been applied in the past, even the imposition of the debilitating development land tax in 1976, (subsequently abolished some 6 years later) resulted in land not coming forward for much needed development.]

Densification: reforms would unleash building on underused sites in high-demand regions – inner cities had much lower population densities than comparable Western countries. There would be a consultation on new Permitted Development Rights and how design codes might apply to protect local character.

The revised NPPF: government was continuing to consider responses to consultation on the NPPF – updates would be published "later this year".

It was clear that:

- development should proceed on sites that were "*adopted in a local plan with full input from the local community, unless there were strong reasons why it could not*".

- Local councils should be open and pragmatic in *agreeing changes to developments where conditions meant that the original plan might no longer be viable,* rather than losing the development wholesale or seeing development mothballed.
- Better use should be made of small pockets of brownfield land by being more permissive, so more homes can be built more quickly, where and how it makes sense, giving more confidence and certainty to SME builders.

Media comment: Sky News said, "you don't have to look far to find deep scepticism as to whether the government's rhetoric matches up to reality.

"As well as the watering down of housing targets, criticism centres on the convoluted planning process, environmental regulations and whether there are enough brownfield urban sites to meet demand.

"Much like tackling climate change, building new homes is something most people agree needs to happen – and yet, workable and scalable solutions everyone can agree with always seem thin on the ground."

Inside Housing described the package as "a mishmash of old empty promises" (Jenrick's, Cameron's and Prescott's being amongst them) - less a long-term plan than a short-term need for something to say. "A message that sounds plausible to potential young Conservative voters locked out of homeownership while reassuring older ones that new homes will be built nowhere near where they live.

It said, "The politics of "the right homes in the right places" (aka non-Conservative constituencies in inner cities) has worked out nicely, with the Conservatives keeping a swathe of suburban and rural seats, thanks in part to their attacks on Labour plans of "concrete over the countryside"."

Centre for Cities said densification won't solve all [government's] problems. Cities will need to expand outwards too, and this means green belt reform is essential. Only by building both up and out of cities will we start to close the gap on England's 4.3 million missing homes."

The item below sets out details of how government objectives are to be supported through its plan-making reforms.

Government consultation on implementing plan-making reforms

On 25 July DLUHC launched consultation on the implementation of its proposed planning reforms, as announced last year in the Levelling Up and Regeneration Bill and accompanying policy paper.

It draws attention to new protections from speculative development, removing the requirement for planning authorities with an up-to-date plan to "demonstrate continually a deliverable **5-year housing land supply**", thereby “strongly incentivising authorities to update local plans on a more rolling basis, every five years, to avoid the need to undertake five-year housing land supply assessments”.

Key proposals:

National Development Management Policies: because of the introduction of National Development Management Policies local plan policies would focus only on locally important matters.

One (not multiple) Local Plan documents: rather than planning authorities splitting their local plan across multiple documents the proposed single local plan would help make clear which planning policies would be considered when applications were considered.

Minerals and waste plans would either sit separately or – depending on which body was responsible – could be incorporated into the local plan.

Thirty-month timetable: a timeframe of 30 months has been set to prepare and put in place (adopt) a plan. Plans would be “more standardised and front-loaded” with more efficient examinations, taking no longer than six months.

The six preparation stages are:

- Scoping and early participation.
- Plan visioning and strategy development.
- Evidence gathering and drafting the plan.
- Engagement, proposing changes, submission.
- Examination.
- Finalisation and adoption of the plan.

Three mandatory ‘gateway assessments’: at the beginning, middle and end of this process. The first gateway assessment may involve Inspectors and they will be required for the second and third checks.

1. The first gateway check will take place after the first scoping stage to ensure the plan “sets off in the right direction”.

2. The second gateway check will involve “ensuring compliance with legal and procedural requirements and (wherever possible) support early resolution of potential soundness issues”

3. The third gateway will be just before submission and is designed to “to monitor and track progress”.

Examinations should take “no longer than six months”: a number of changes are proposed to the existing process, including appointing examining inspectors when the authority starts the third gateway assessment, using panels of two or more inspectors “by default” to increase efficiency and “revising the way the Matters, Issues and Questions (MIQs) stage of the process works, so that only the relevant planning authority is invited to submit responses”.

Pausing examinations: the Bill allows inspectors to pause examinations for “no longer than 6 months”. If “relevant matters” cannot be resolved within that timeframe the inspector would recommend withdrawal.

Two longer, and more clearly defined, mandatory consultation periods: two mandatory consultation windows (currently Regulation 18 and 19 stages) will be retained but will be “more clearly defined and strengthened through regulations to increase their impact”.

They will take place following the conclusion of the first and before the third gateway assessments, will last for a minimum of eight and six weeks respectively and will be set out in regulations.

New approach to engagement: “existing practices of engagement and consultation in plan-making are perceived to be narrow and ineffective.”

The statement of community involvement will be replaced with two new “key levers to drive improvements to the quality of engagement”.

New “project initiation documents” will be required to set out what engagement is planned and what resources and skills will be required to deliver this.

There will be a new requirement for planning authorities to “notify” stakeholders and “invite” early participation on matters that might shape the direction of the plan.

The new system will be rolled-out from Autumn 2024, with ten pilot authorities: it proposes options for phasing the roll-out of the new local plan-making system from autumn 2024.”

All the other authorities would be ranked chronologically by the date that they adopted their local plan, before groups of 25 authorities at a time are allocated a “six-month plan-making commencement window’”.

“Core principles” will set out what plans should contain: through policy and supported by guidance, requiring plans to “contain a locally distinct vision which will anchor the plan, provide strategic direction for the underpinning policies and set out measurable outcomes for the plan period”.

Regulations to require that a plan’s “vision” should be a “golden thread” with policies and allocations linking directly to delivering “measurable outcomes” set out by the strategy.

Annual monitoring reports: a new system with “two distinct elements”

- “light touch annual return[s]” on a small number of nationally prescribed metrics…
- within four years of adoption, a “fuller analysis of how planning policies and designations are being implemented, and the extent to which the plan is meeting the overall vision for their area”.

Local development schemes replaced by “timetable” documents (the local plan timetable) would be replaced by a new requirement to prepare and maintain a local plan timetable or minerals and waste plan timetable”.

Community land auction options and S.106: areas that use the government’s proposed new system for capturing more of the increase in land value increase generated by allocation for development in a local

plan would still ask for other forms of developer contributions to secure infrastructure and affordable housing, a housing department document published this week reveals.
Consultation closes on 18 October.

Responses can be made in writing to the Department, by email to planmakingconsultation@levellingup.gov.uk or through an online survey using the link below.

https://www.gov.uk/government/consultations/plan-making-reforms-consultation-on-implementation/levelling-up-and-regeneration-bill-consultation-on-implementation-of-plan-making-reforms

Comment: Lichfields observes that previous government initiatives designed to speed-up plan-making have met with very mixed results.

Some local authorities had managed to complete local plans within 30 months (such as Broxbourne, Maidstone, Crawley and Northumberland) but, given most local authorities had taken much longer (seven years on average), the new timeline would be a significant challenge, particularly in locations where decisions on how to meet development needs resulted in difficult political decisions.

Questions remained:

- a much tighter timeline for making plans was suggested but not regulated for; it remained to be seen whether more authorities would meet them. Bluntly, for authorities facing the most politically difficult decisions, the proposals did not, in and of themselves, make these decisions any easier or examination automatically much quicker.
- Whilst plan-making mechanics were important they did not directly address the reality of preparing a local plan that met both local housing needs and had local support in areas where, historically, there had been conflict between the two.
- Perhaps most glaringly absent were proposals around the 'flexible alignment test' that would replace the duty to co-operate - key in setting a strategic planning approach. This would be crucial to planning for and subsequently building enough homes, especially in urban areas.

Turleys commented, "The proposed approach [has to be] radically different. If the objective is to more than halve the average seven years it takes to adopt a plan, and coverage is to get above the pitiful 39% of authorities in England with an up-to-date plan, big changes are needed.

…For it to work, plan-makers will need to be bolder. Prescribing less evidence; shortening the process; inviting more community input are all essential. But no plan will proceed unless decision-makers overcome their aversion to risk – legal, procedural, and political – that is the root of much of the current intention. Systems needs good operators – and in the case of planners, many more of them. Resourcing is at least as big a challenge as the plan-making process itself.

… Rather than an almost judicial burden of evidence, plan-making needs to get back to delivering what is in the best interests of the place and people being planned for. These require planning judgement and political resolve…"

https://lichfields.uk/blog/2023/july/26/the-power-of-lurb-the-future-of-plan-making/

https://www.turley.co.uk/comment/levelling-and-regeneration-bill-consultation-overview-and-observations

Planning fees consultation: government response

On 31 July DLUHC published its response to consultation launched in February on changes to the planning application fee system.

- **A fee increase of up to 35% comes into force on 1 April 2024**
- **Fees will automatically rise each year from April 2025** using the Consumer Prices Index from the previous September. "Any annual fee increase will be capped at 10 per cent. In the event that there is deflation, the fee will not be adjusted." Regulations have been laid before Parliament https://www.legislation.gov.uk/ukdsi/2023/9780348250404
- **Additional income will not be ringfenced for planning purposes** "as this would impose a restriction on local authorities when they are best placed to make decisions about funding local services" but the Department expects local planning authorities to protect at least the income from the planning fee increase for direct investment in planning services."
- **Fees for retrospective planning applications;** the Department will continue to develop proposals to double fees for retrospective applications for delivery through regulations at "the next available opportunity."
- **Repeat submissions:** "Whilst it is recognised that a free-go does enable applicants and local planning authorities to facilitate amendments and improvements to schemes, it is considered that this is best undertaken at the pre-application stage." No date has been set for this to come into effect.
- **Planning guarantee' right of refund to be cut from 26 to 16 weeks for non-determination of non-major applications**: the Department said this might be initially challenging for some local planning authorities, but they would still have the option of using extensions of time.. in exceptional circumstances."
- **'Planning performance framework':** it said the extension of time agreements and planning performance agreements "can serve a valid purpose to support constructive negotiations between the local planning authority and an applicant…We are clear that an increase in planning fee income and resourcing to local planning authorities must lead to improved performance but] we recognise that local planning authorities need a period of adjustment to any new planning performance framework - we would reiterate our commitment to consult further on detailed proposals, including thresholds, assessment periods and transitional arrangements from the current performance regime."
- **Capacity and expertise:** the Department will "reflect" on the hundreds of respondents' "valuable contributions to these questions as we continue to develop our capacity and capability programme".

https://www.gov.uk/government/consultations/increasing-planning-fees-and-performance-technical-consultation/outcome/technical-consultation-stronger-performance-of-local-planning-authorities-supported-through-an-increase-in-planning-fees-government-response#planning-fees

Biodiversity Net Gain - cost of buying credits

On 27 July DEFRA published details of the cost of buying biodiversity net gain credits.

(The new requirements for biodiversity net gain come into effect in November requiring development to deliver a net improvement of 10% in biodiversity).

Planning Resource notes that, in order to satisfy this requirement and compensate for any loss of biodiversity resulting from development, applicants must provide compensation.

They can meet the requirement by furnishing habitat on their own land or by buying a share of a scheme from a third-party provider, like a nature compensation scheme set up by a land manager or farmer.

However, if they do not take either of these routes, applicants must buy statutory credits from the government scheme administered by Natural England.

Two credits must be purchased for each biodiversity unit that must be compensated for.
The biodiversity units for each site must be calculated using a formula that takes into account the size and condition of the land proposed for development as well as how distinctive is the habitat that it offers.

The distinctiveness of the habitat will be measured by different ecological factors, such as the rarity of the habitat that it offers and richness of species.

The prices of credits per hectare vary from a minimum of **£42,000** for less distinctive types of habitat, such as grassland, to a maximum of **£650,000** for rare types of lake.

BDB Pitmans calculated the cost of compensating for one of the lowest-scoring types of habitats (a hectare of bare ground in moderate condition).

Each of these factors counted as two units which, multiplied, worked out as a total of four.

Adding on the requirement for a 10% increase in biodiversity net gain meant the developer would need to compensate for 4.4 units, each requiring two credits, meaning a total cost of £369,600 for the site in question.

The credits seemed to have been set at “deliberately expensive” rates in order to encourage the development of a market in land to help developers meet their biodiversity requirements.

Funds raised via the sale of credits will be invested by the government in habitat creation elsewhere in England.

https://www.gov.uk/guidance/statutory-biodiversity-credit-prices

HBA Newsletter reflection: taken together, all of the above could be argued to show that we have reached the point when differing strands of legislation, along with unprecedented levels of planning guidance reform, subjective urban design polices, housing tenure reforms, additional and wide-ranging cost burdens and proposals for land value capture have, by default, created what is - in effect - a nationalised housebuilding industry, controlled and regulated by central government and an increasing number of arm's length bodies.

Homes England - Brownfield, Infrastructure and Land fund

On 24 July Homes England launched the Brownfield, Infrastructure and Land fund (BIL) which will span its land, grant and equity activities.

The primary objective was to bring forward strategic sites and housing-led opportunities which support economic growth and long-term housing supply, with at least 60% of activity focused on brownfield land.

Over the Fund's lifetime £1bn is expected to unlock 40,000 homes, 200,000sqm of employment floorspace and significant levels of private sector investment by either undertaking activity directly as Homes England, working in partnership, or by contracting directly with public and private sector partners.

Eligibility: it would expect the main source of funding for projects within the Greater London Authority, Greater Manchester and West Midlands Combined Authority areas to be accessed locally in line with arrangements agreed with government.

Applicants would be eligible for funding if they:

- meet its strategic aims
- the project would stall, or could not progress, without this funding
- the project will lead to the development of new housing
- it represented value for money
- the applicant is a UK-registered corporate entity, limited liability partnership (LLP), or English local authority or public entity
- the project will contract by 31 March 2026.

Full details about the fund and how to apply can be found here.

The fund supports the delivery of smaller, locally important sites, as well as larger-scale transformative projects of regional or national significance.
Eligible activity includes:

- acquiring and developing land
- land preparation and enabling works
- provision of on- and off-site transport infrastructure

- provision of placemaking and community facilities
- provision of section 106-required infrastructure (excluding affordable housing)

https://www.gov.uk/guidance/brownfield-infrastructure-and-land-fund

Office for Place – Chair's Statement

The Office for Plan is designed to help deliver Gove's vision for new housing by "supporting the creation and stewardship of popular, healthy, beautiful and sustainable places".

On 24 July Michael Gove, DLUHC Secretary of State, announced that Nicholas Boys Smith had been appointed its interim Chair and that the Office for Place will be based in Stoke-on-Trent.

Boys Smith said the Office for Place had "set ourselves a big ambitious goal, but one we must seek to work towards if we are to help families, neighbourhood, parishes, councils, landowners, housebuilders and developers easily and more seamlessly create places in which the body can prosper and the soul sing. I look forward to working with councils and communities the length and breadth of the land as we seek to help others achieve this aim."

Further details on operational arrangements are be announced in due course.

Characteristics of towns and cities, Census 2021

On 2 August the Office National Statistics published Census 2021 data on towns and cities.

In 2021, there were 7,018 Built Up Areas (BUAs) covered 11.0% of England (1.5 million hectares) and 4.4% of Wales (around 93,000 hectares).

Among these, 6,439 BUAs were in England (including 33 in London) and 579 were in Wales.

In England and Wales, 56,366,690 people lived in BUAs (94.6% of the population).

- Major built-up areas (200,000+) had the youngest populations, with a median age of 34 years in both England (excluding London) and Wales.
- The proportion of non-UK born residents increased as BUA size classification increased, with the highest proportions living in major BUAs in England (excluding London) (22.9%) and Wales (16.7%).
- Households in major BUAs had the lowest levels of outright home ownership in England (excluding London) (25.9%) and Wales (28.4%).

- Minor BUAs (up to 5,000) had the highest proportion of usual residents aged 16 years and over with Level 4 or above qualifications in England (excluding London) (34.3%), but major BUAs had the highest proportion in Wales (39.4%).
- In England (excluding London), minor BUAs had the highest proportion of usual residents aged 16 years and over working as managers, directors, and senior officials (16.2%).
- In Wales, over a quarter of usual residents aged 16 years and over in major BUAs worked in professional occupations (26.5%).

Responsible Actors Scheme (Building Safety)

The Responsible Actors Scheme was launched in July. Eligible developers who do not join the Scheme and comply with its conditions will have planning and building control prohibitions imposed on them.

The Scheme will recognise action taken by responsible developers to identify and remediate or pay to remediate life-critical fire safety defects in residential buildings 11 metres or over in height which they developed or refurbished in England over the 30 years to 4 April 2022.
The regulations made on 3 July and the Responsible Actors Scheme plain English and enrolment guides published on 24 July supersede the key features of the Scheme that were published on 24 March.

New Homes Ombudsman First Compliant Case Study

The New Homes Quality Board (NHQB) has published the first adjudication by the New Homes Ombudsman Service (NHOS), dealing with the reservation process and ruling in the developer's favour.

It gives an understanding of how the NHOS will approach such cases and

Separately, the Consumer Code for Home Builders has agreed to put back the implementation date of its revised Code from October to January next year.

https://www.hbf.co.uk/documents/12736/NHOS_Case_Study_1.pdf?pk_campaign=newsletter_6295

Local Enterprise Partnerships – transfer of core functions

On 4 August DLUHC and the Department for Business and Trade, announced that the government had decided to withdraw central government support (core funding) for Local Enterprise Partnerships from April 2024 and transfer their functions to local and combined authorities, as announced at the Spring Budget.

The Government would now support local and combined authorities to take on the functions currently delivered by LEPs.

Where not already delivered by a combined authority, or in areas where a devolution deal was not yet agreed, the Government expects these functions to be exercised by upper tier local authorities, working in collaboration with other upper tier local authorities over functional economic areas as appropriate. Alongside this decision, it also published technical guidance for LEPs and local authorities to support them through this policy change.

By empowering local democratically elected leaders to deliver these key local growth functions from April 2024, it was accelerating the integration process set out in the Levelling Up White Paper.

Energy Update

Contracts for Difference – funding

On 3 August the Department for Energy Security and Net Zero announced a £22 million increase in government backing for renewables through the Contracts for Difference scheme, taking the total budget to £227 million for this auction.

The scheme, which was launched in 2014, is the government's main system for supporting low-carbon electricity generation.

This would mean:

- an increased budget for established technologies such as solar and offshore wind – from £170 million to £190 million
- an increase in the budget for emerging technologies such as floating offshore wind – up from £35 million to £37 million
- maintaining £10 million ring-fenced budget for tidal stream projects

Heat Networks – consultation on consumer protection

On 4 August the Department for Energy Security and Net Zero announced consultation on heat networks. It said that, as more homes and businesses were connected to them, consumers must be properly protected, pay a fair price for their energy, and given the best service possible. The target was to deliver 20% of the country's heating through this system by 2050.

It seeks views on consumer protection requirements around:

- pricing
- quality of service
- transparency of information
- consumers in vulnerable circumstance
- the scope of the rules and how they should be phased in.

It builds on policy approaches established in earlier consultations:

- the market framework in 2020 to 2022
- cost recovery in 2021 to 2022

An Impact Assessment is published alongside the consultation document, which sets out the benefits and costs of introducing consumer protections and a license regime for rights and powers.

It expects the consultation to be of particular interest to:

- consumer groups
- heat network industry, such as developers
- local government

This a joint consultation run by DESNZ and Ofgem.

Responses can be made online at https://www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection

The Economy

Bank Rate rises to 5.25%

On 3 August the Bank of England announced that the Bank Rate would rise by 0.25%, to 5.25%.

Its projections for activity and inflation are conditioned on a market-implied path for Bank Rate that rises to a peak of just over 6% and averages just under 5½% over the three-year forecast period.

Underlying quarterly GDP growth has been around 0.2% during the first half of this year. It expected a similar growth rate in the near term, reflecting more resilient household income and retail sales volumes, and most business surveys over recent months. However some more recent indicators showed signs of weakening, including the July S&P Global/CIPS UK composite PMI.

The labour market remained tight and annual private sector regular pay growth rose to 7.7% in the three months to May.

Twelve-month CPI inflation fell from 8.7% in May to 7.9% in June and CPI inflation was well above the 2% target. It was expected to fall significantly further, to around 5% by the end of the year.

Given the significant increase in Bank Rate since the start of this tightening cycle, the current monetary policy stance was restrictive. If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required.

It would ensure that Bank Rate was sufficiently restrictive for long enough to return inflation to the 2% target sustainably in the medium term, in line with its remit.

Lending to Business, June

On 31 July the Bank of England published "*Money and Credit*" for June showing that UK non-financial businesses (PNFCs and public corporations) repaid, on net, £5.6 billion of bank and building society loans (including overdrafts), compared to £0.4 billion of net repayments in May.

Within this measure, net repayments by large non-financial businesses amounted to £4.3 billion in June, following net borrowing of £0.4 billion in May. Net repayments by small and medium sized non-financial businesses (SMEs) increased to £1.3 billion in June, up from £0.8 billion of net repayments in the previous month.

The annual growth rate of borrowing by large businesses dropped to 0.6% in June, from 3.6% in May, while for SMEs the rate decreased slightly for the fifth consecutive month, from -4.2% to -4.3% during the same period.

The average cost of new borrowing from banks by UK PNFCs rose by 19 basis points in June, to an effective interest rate of 6.36%, and now sits 433 basis points above the December 2021 rate of 2.03% (when Bank Rate increases began). Similarly, the effective interest rate on new loans to SMEs saw a 27-basis point increase, from 6.86% in May to a record high 7.13% in June (compared to 2.51% in December 2021).

June marked the fifth consecutive month of net repayments in market finance by private non-financial companies (PNFC). Net repayments by private non-financial companies (PNFC) increased from £1.5 billion in May to £2.9 billion in June. Within this measure, companies bought back £1.9 billion of equity in June, down from £2.3 billion of equity buybacks in May. In addition, companies redeemed £1.2 billion of commercial paper. These were partly offset by £0.2 billion of bond issuances.

UK non-financial businesses deposited £5.1 billion with banks and building societies in all currencies, down from £10.0 billion in May. The effective rate on new time deposits rose by 30 basis points, to 4.24%, while the effective rate on stock sight deposits increased by 25 basis points and now sits at 2.17%.

S&P Global/CIPS Services PMI, July

On 3 August S&P Global/CIPS published the Services Purchasing Managers' Index (PMI) for July.

The main Index stood at 51.5, down from 53.7 in June and the lowest in the current phase of expansion that began in February (any figure over 50 indicates expansion).

Companies reporting a rise in output typically linked this to resilient household spending on travel and leisure services. However, many survey respondents also commented on headwinds from subdued business and
consumer confidence, which resulted in slower progress with converting sales opportunities.

New order volumes increased only marginally, and the rate of expansion was the weakest for six months. Rising interest rates were cited as a factor leading to fragile customer demand, others pressure on budgets from elevated inflation.

Sustained rises in business activity and new work supported another upturn in staffing but the rate of job creation eased from June's nine-month high amid some reports that hiring freezes had delayed the replacement of departing staff.

Business capacity was sufficient to allow firms to reduce their backlogs of work for the second consecutive month and the latest fall in unfinished business was the fastest since February 2021.

There was a strong rise in average cost burdens with respondents indicating that higher wages and ongoing supply chain price hikes had more than offset the impact of lower fuel costs.

There was another round of robust prices charged inflation, as service providers sought to pass on higher business expenses to customers. That said, the increase in average prices charged was among the weakest seen since the summer of 2021, with some firms commenting on pressure from clients to offer price discounts.

CIPS said, “"The wind was knocked out of the sails of the service sector in July with the slowest rise in overall output since January and a dramatically reduced expansion of new orders which was recorded as the lowest for six months.

"The driver of this poor result as the sector headed into a period of inertia was the underlying weaknesses in the UK economy…”

S&P Global/CIPS Manufacturing PMI, July

On 1 August S&P Global/CIPS published the Manufacturing PMI for July.

The main Index fell to 45.3, the lowest reading in the year to date and the joint weakest since May 2020 (any figure below 50 indicates contraction). It has been below 50 in every one of the last twelve months.

Manufacturing output and incoming new business contracted again across all three broad product categories (consumer, intermediate and investment goods).

Employment fell for the tenth consecutive month, with the rate of job losses accelerated to a seven-month high with marked cuts in consumer and intermediate goods producers, while job creation in investment goods slowed to a near standstill.

Sufficient spare capacity remained to make further steep inroads into backlogs of work. Outstanding business fell for the fifteenth consecutive month.

Companies linked lower staffing levels to demand weakness, strong competition and efforts to protect margins. These factors also contributed to lower purchasing activity and efforts to operate with leaner inventory holdings (a number of companies reported being overstocked).

Weaker demand for led to improved average vendor delivery times with lead times shortening across all three sub-sectors.

Average input prices fell for the third consecutive month. A wide range of inputs were reported as falling, often linked to increased competition between suppliers, weak input demand and lower transportation and energy costs.

There was little movement in selling prices. Manufacturers reporting an increase cited efforts to recover margins following a period of marked cost inflation. Those seeing a decline mentioned strong competition, weak demand and passing on recent cost reductions.

CIPS said, '…Overall, it seems that recovery has stalled. Concerns about further interest rate rises making borrowing more expensive and customers reluctant to buy had the sector running on empty for another month…"

S&P Global/CIPS Construction PMI, July

On 4 August S&P Global/CIPS published the Construction PMI for July.

The main Index stood at 51.7, up from 48.9 in June and the highest level for five months (any figure over 50 indicates expansion).

Robust increases in commercial building (54.4) and civil engineering (53.9) were offset by a steep fall in housebuilding (43.0). Lower volumes of residential work have now been recorded for eight consecutive months, although the rate of decline was the least marked since April.

There was only a marginal rise in total new work and the rate of growth was slower than seen on average in the first half of 2023.

Staff hiring was a relatively bright spot in July, with the rate of job creation accelerating to its strongest since October 2022. Higher levels of employment have now been recorded in each of the past six months.

Purchasing activity fell in each of the past two months, which reflected destocking efforts and subdued order books.

A combination of lower demand and rising material availability contributed to a sharp improvement in supplier performance with lead times shortening to the greatest extent for nearly fourteen and a half years.

Measured overall, average cost burdens increased moderately in July and at a much softer pace than seen on average in the first half of 2023.

CIPS said, "… Decisions about buying a new home are being delayed by many consumers. Another fall in residential building levels and for the eighth month in a row, it's obvious that UK interest rate rises, and cost of living pressures have dealt a hammer blow to the housing sector."

https://www.pmi.spglobal.com/public/release/pressreleases

The Market

Mortgage Lending, June

On 31 July the Bank of England published "*Money and Credit*" for June showing that net approvals (approvals net of cancellations) for **house purchases**, an indicator of future borrowing, increased to **54,700**, the highest since October 2022. However, it remains below the monthly average for 2022 of 62,700.

Approvals for **remortgaging** (which only capture remortgaging with a different lender) saw a significant increase from 34,100 in May to **39,100** in June.

The ‘effective’ interest rate – the actual interest rate paid – on newly drawn mortgages continued to increase, rising by a further 7 basis points, to 4.63%. Similarly, the rate on the outstanding stock of mortgages increased by 10 basis points, and now sits at 2.92%.

Nationwide House Price Index, July

On 1 August the Nationwide published its House Price Index for July showing that, month on month, prices fell by -0.2% and year on year by -3.8%, the weakest outturn since July 2009, although only slightly lower than the -3.5% recorded last month.

There were 86,000 completed housing transactions in June, 15% below the levels at the same time last year and around 10% below pre-pandemic levels. Activity was still c. 20% below 2019 levels.

Nationwide said housing affordability continued to be stretched for those looking to buy with a mortgage.

While activity was likely to remain subdued in the near term, healthy rates of nominal income growth, together with modestly lower house prices, should help to improve housing affordability over time, especially if mortgage rates moderated once Bank Rate peaked.

Taylor Wimpey – half yearly

On 2 August Taylor Wimpey published half yearly results for the period ended 2 July, noting that planning remained extremely challenging and was likely to impact the future delivery of new homes across the industry.

Completions: stood at 5,120 homes (H1 2022: 6,922).

Full year UK completions excluding JVs were now expected to be in the range of 10,000 to 10,500, at the upper end of previous guidance

Net private sales rate: was 0.71 (H1 2022: 0.90) for the first half, which was 0.62 excluding bulk deals (H1 2022: 0.88)

For the four weeks ended 30 July, at the start of the seasonally quieter third quarter, the net private sales rate was 0.47 per outlet per week (2022 equivalent period: 0.57).

The **cancellation rate** for the same period was 24% (2022 equivalent period: 19%).

Total order book: stood at 7,866 homes, excluding joint ventures (3 July 2022: 10,102 homes).

Sites: it operated from 244 average outlets during the period (H1 2022: 228) and ended the period with 235 outlets (H1 2022: 233)

Land: on 2 July the short term landbank stood at c.83k plots (31 December 2022: c.83k plots).

Strategic land pipeline: stood at c.140k potential plots (31 December 2022: c.144k potential plots)

Finance: Group operating profit margin of 14.4% (H1 2022: 20.4%), reflecting a lower level of completions and the impact of build cost inflation which was not fully offset by house price inflation for the period.

The full year Group operating profit including JVs was expected to be between £440 million and £470 million.

It ended the period with net cash of £654.9 million (H1 2022: £642.4 million)

It renewed revolving credit facility in July, increasing it to £600 million and extending maturity to July 2028. The new facility included sustainability linked performance measures.

Travis Perkins – half year

On 1 August Travis Perkins published half year results for the six months to June, reporting "challenging market conditions."

Pre-tax profit were down by 37% to £86m on revenue which fell 2% to just under £2.5bn, "reflecting weak market volumes in private domestic RMI and new build housing".

"The private domestic new-build market (19% of Merchanting revenue) saw substantial volume decline as the impact of rapidly rising mortgage rates quickly reduced new housing starts. This was more pronounced amongst the national housebuilders, with regional housebuilders remaining more active."

Trading in the second half of the year would "remain difficult…Market conditions have been challenging, which is reflected in both the first half performance and the outlook for the balance of the year.

The Group remained focused on striking the appropriate balance between seeking to protect shorter term profitability, delivering its strategic objectives and being well placed to benefit when market conditions improved."

Ibstock – interim results

On 2 August Ibstock published interim results and announced it was closing its higher cost Ravenhead wire-cut brick factory near St Helens on Merseyside because of reduced demand. Subject to consultation, closure would reduce the Group's current clay brick network capacity by around 40 million bricks.

Revenue fell 14% to £223 million (2022: £259 million) reflecting reduced activity levels in its residential markets.

Its CEO said, "…Although overall sales volumes were down significantly in the first half, demand showed improvement across the period. Whilst recent macroeconomic developments have created increased uncertainty in the outlook, having performed marginally ahead of our expectations during the first half we remain confident in our ability to respond to market conditions in the balance of the year and the Board's expectations for the full year are unchanged."

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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