

Council comments on comments on HBF document 'Reversing the decline of Small Housebuilders'

It is accepted that for a wide variety of reasons, SME's now play a very reduced role in housebuilding compared with 20 years ago.

The HBF document seems to want to blame delays and uncertainty arising from the planning system almost wholly for this decline. The planning system has become more complicated in the last 20 years but not to the extent that small builders cannot deal with it.

It is clear that government policy in recent years has opened up the prospect of much more greenfield development, which can be much more profitable than redeveloping previously developed land. This may have led to larger sized permissions which do not lend themselves to development by SME's. However it is also the case that development in urban areas has moved towards large blocks of flatted development which involve much more upfront investment and are much more expensive to build than individual houses which was the SME's main product. The market has changed in recent years to one that favours the large housebuilder and squeezes SME business.

It is clear from the HBF document that many businesses ceased in the period 2007-2009. That closely coincides with the 2008 crash of the banks, for which reckless lending on development was a significant contributory cause of the ensuing instability of many banks. As a result one suspects that the banks have become much more cautious about lending to SME housebuilding sector. The HBF document does acknowledge the need for fairer funding.

A paper by Lendinvest entitled, "Putting finance first: the alternative route to funding Britain's SME housebuilders," April 2018 (https://www.lendinvest.com/wp-content/uploads/2018/04/LendInvest_Putting_Finance_First.pdf) said that:

"A squeeze on skilled workers and the challenges of the planning system matter little to aspiring home builders who cannot secure the funding to get a project off the ground in the first place. With not one of the top ten housebuilders being founded after 1990, it is clear that there is a growth impediment for small property businesses. The retrenchment of bank lending to SMEs as a response to increased regulatory pressure, capital requirements and the fallout of the financial crisis has contributed negatively to the decline of finance available for SME housebuilders, and, as a result, SME housebuilding."

The document includes a forward by Brian Berry, Chief Executive of the Federation of Master Builders, who said:

"Therefore, I fully concur with the strong case put forward by this report for improving access to finance for small developers."

I would contend that the inability to secure finance is a much more important reason for the decline in SME activity in the housebuilding than barriers of the planning system. In some respects it is perverse to say that planning places an undue burden on housebuilders. The NPPF and local planning policy ensures that viability, which takes account of the risk and high need for a high developer profit, is a central part of the policy making process.

The Council's existing adopted policy for small sites was the result of an assessment of viability in relation to the preparation of the CIL charging Schedule in 2013. That work

pointed to a need to review existing affordable housing policy requirements mainly in relation to the target for sites of 15 units and over. In the light of the results of the viability assessment some changes were also made policy DM6, specifically to ensure that the policy did not make development unviable. It also needs to be noted that the policy allows for lower levels of provision to be made if it can be demonstrated that those targets are unviable.

This question of whether affordable housing is an undue burden was also a matter dealt with in the High Court Judgement - it is perverse to have NPPF policies and local plan policies that allow viability to be taken into account and then say that sites of 10 or less should not provide AH because it makes their development unviable.

The High Court Judgement also pointed out that viability assessments for CIL would conclude that CIL charging for sites for 10 or less dwellings, where no affordable housing is provided, would enable significantly higher CIL charges to be made for such sites. If all the cost of the provision of affordable housing in accordance with the policy is taken as part of the CIL charge, then the net effect on viability would be neutral. How is it therefore an undue burden?

The viability assessment submitted with the local plan demonstrates that provision in accordance with Policy H3 on sites of under 10 dwellings is viable, takes full account of costs and allows a very generous profit for the developer.