



Building Safety Levy, Second Consultation

G15 Response



About the G15

The G15 is made up of London's largest housing associations. The G15's members provide more than 715,000 homes across the country, including around one in ten homes for Londoners. Delivering good quality safe homes for our residents is our number one priority. Every year our members invest almost £900m in improvement works and repairs to people's homes, ensuring people can live well. Together, we are the largest providers of new affordable homes in London and build around 15% of all affordable homes across England. It's what we were set up to do and what we're committed to achieving. We are independent, charitable organisations and all the money we make is reinvested in building more affordable homes and delivering services for our residents.

Find out more and see our latest updates on our website: www.g15.london

The G15 members are:

- A2Dominion
- Catalyst
- Clarion Housing Group
- The Guinness Partnership
- Hyde
- L&Q
- MTVH
- Network Homes
- Notting Hill Genesis
- One Housing
- Peabody
- Southern Housing

For more information, please contact: G15@mtvh.co.uk



Contents

Introduction	4
Comments on specific consultation questions	5
Conclusion	10



Introduction

The safety and wellbeing of all G15 residents is our absolute priority. As an organisation of London's largest housing associations, we are continuously working to ensure that the well over one million people we house in over 715,000 homes are safe in their homes.

The events at Grenfell Tower in 2017 were a tragedy which must never be allowed to happen again. Following the tragedy, at least £3.6bn has been earmarked across the G15 for investment in the safety of our homes, including fire safety and prevention, from 2021 - 2036.

All G15 members are not-for-profit organisations. Our receipts from market sale homes and other for-profit initiatives are reinvested into our businesses to help to fund the maintenance of our existing homes as well as the development of much needed social and affordable housing.

We are concerned that the Building Safety Levy as currently proposed will add additional costs and potential complications which threaten the viability of social and affordable housing development schemes in London and across the country.



Comments on specific consultation questions

Do you think the Building Safety Levy charge will impact on other charges made in relation to residential buildings including Community Infrastructure Levy and Section 106 payments or the Infrastructure Levy that will replace the existing system of developer contributions? If so, what are they likely to be?

As stated in our response to the government's first consultation on the Building Safety Levy, it is the position of the G15 that the imposition of the levy will inevitably impact on our ability to deliver social and affordable homes in London.

The levy will add additional costs and potential complications which may threaten the viability of social and affordable development schemes at a time when the construction costs have increased significantly.

Any adverse impact on the viability of developments delivering affordable housing could be particularly potent in the case of volume developers. With around 50% of all affordable housing currently delivered through Section 106 agreements, this could have a significant impact on the number of new units built.

For the G15, the safety and wellbeing of our residents is our absolute priority. Between 2021 and 2036, G15 members will invest at least £3.6bn in our housing stock to improve safety and remediate safety issues.

As not-for-profit organisations, the money we make through for-profit initiatives is reinvested to maintain our existing homes and to help to deliver new social and affordable housing.

We remain concerned that the Building Safety Levy will be to the detriment of the delivery of new social and affordable homes.

We welcome views on the two-step process and charging points for the levy. Do you agree or disagree, please give reasons?

The two-step process is welcome as it allows the adjustment for future changes.

What are your views on the percentage split, i.e., charging 60% of the levy prior to commencement stage and 40% at final certification. Are these the right amounts? If not, why not – please give reasons.

The G15 believes the bulk of the levy should be paid at final certification. This would help developers by reducing any potential cashflow issues arising from committing funds too early in the development process. It would also allow clients to self-assess at the point of practical completion when the nature of the scheme is finalised.



We would also welcome details of how any rebate could be obtained if the final scheme qualifies for a reduced levy rate due to the scheme or a greater proportion of the scheme, moving out of scope of the charge.

What amount of grace period should be set for projects that have already started the building control process on the date the levy goes live?

Developments granted planning permission prior to introduction should not be liable for the levy.

Do you agree Affordable Homes should be excluded from payment of the levy? Please give reasons for your answer.

Yes, we agree with this proposal. An exemption for Affordable Housing will help to alleviate many of the pressures the levy will place on new supply. We also strongly support the proposal to exempt non-social homes built by registered providers and their subsidiaries. As noted in the Consultation Document this is a key part of our operating model.

Do you agree NHS Hospitals, NHS Medical homes, and NHS GP practices should be excluded from payment of the levy? Please give reasons for your answer.

Yes, we agree with this proposal.

Do you agree Conversions, improvements to owner occupied homes and refurbishments should be excluded from payment of the Levy?

Yes, we agree with this proposal.

Do you agree supported housing should be excluded from payment of the levy? Please give reasons for your answer.

Yes, we agree with this proposal. An exemption for Supported Housing will support the ongoing supply of new supported housing and prevent additional costs being passed on to residents.

As not-for-profit housing associations, the G15 provide homes to many of the most vulnerable in society. A levy would reduce the ability of the G15 to deliver the new, affordable homes and have a detrimental impact on our ability to maintain and improve our existing homes.



We are clear that the additional costs the levy will impose will inevitably impact our development plans.

**Do you agree care homes should be excluded from payment of the levy?
Please give reasons for your answer.**

Yes, we agree with this proposal.

**Do you agree that children's homes should be excluded from payment of the levy?
Please give reasons for your answer.**

Yes, we agree with this proposal.

**Do you agree Domestic Abuse facilities should be excluded from payment of the levy?
Please give reasons for your answer.**

Yes, we agree with this proposal.

**Do you agree residential care homes be excluded from payment of the levy?
Please give reasons for your answer.**

Yes, we agree with this proposal.

**Do you agree Criminal Justice Accommodation be excluded from the levy?
Please give reasons for your answer.**

Yes, we agree with this proposal.

**Do you agree military establishments be excluded from the levy?
Please give reasons for your answer.**

Yes, we agree with this proposal.

Would excluding developments under 10 units (or the square metre equivalent) protect small and medium sized enterprises? What might the alternatives be?

The government is proposing to protect small and medium sized enterprises in other parts of this consultation. If small and medium sized enterprises are to be protected, developments under 10 units (or the square metre equivalent) will not require exclusion. Exclusions based on scheme size may lead to a distortion in the market designed to avoid the levy.



Do you consider that we should set a discounted levy rate for the entirety of a development where that development provides a specified proportion or affordable housing?

Many G15 members enter into Joint Ventures (JVs) enabling them to develop affordable, low cost, market sale homes; generating significant profits which then contribute to the delivery of new affordable homes. Additionally, JVs are helping to build the mixed tenure communities which are essential to helping to resolve the UK's housing crisis.

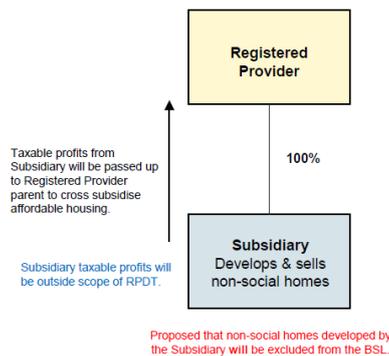
Without an exemption from the Building Safety Levy, we are concerned that housing associations will be unable to access lower build prices and there will be greater reluctance to take on larger opportunities across the sector.

The G15 is calling for a proportionate reduction from the levy where a housing association is part of a JV.

A proportionate reduction from the levy for JVs is consistent with the approach of the Residential Property Development Tax (RPDT) and would also support innovation within the sector. JVs are highly likely to become more commonplace as a means of sustaining the delivery of affordable homes.

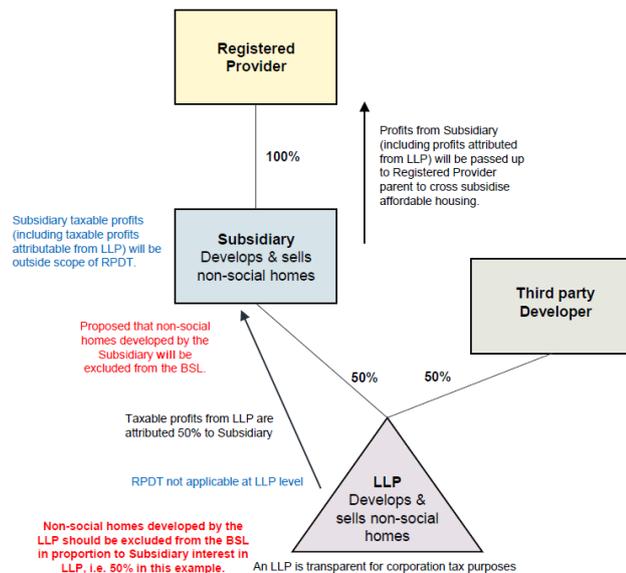
The diagram below, produced by L&Q, sets out our position:

Illustration of how BSL applies to non-social homes built by a Registered Provider group



© L&Q

Illustration of how BSL applies to non-social homes built by a Registered Provider group including LLP





The examples below further demonstrate our position:

- **Non-social homes only:** A Joint Venture (JV) is owned 50/50 by subsidiary of a registered provider and a third-party developer. The JV will develop 250 non-social homes. We propose that 125 of the non-social homes should be excluded, in full, from the BSL
- **Mixed tenure:** A JV is owned 50/50 by subsidiary of a registered provider and a third-party developer. The JV will develop 50 affordable homes and 200 non-social homes. The 50 affordable homes will be excluded from the BSL based on the current proposals. We also propose that 100 of the non-social homes should be excluded, in full, from the BSL

In addition, in order to prevent the levy indirectly being imposed on developers of social housing we are also calling for the introduction of a refund mechanism whereby the levy is repaid should any part of a building previously liable be transferred to a registered provider of social housing.



Conclusion

As mentioned throughout our evidence, the G15 remains concerned that the imposition of the Building Safety Levy may have a detrimental impact on affordable housing development schemes in London and across the country.

We welcome the exemption of affordable housing from the levy. We are clear that there are further exemptions which will help to ensure that the viability of social and affordable housing developments is not affected.

Through a proportionate reduction in levy for housing associations Joint Ventures (JVs), the Government will help providers to access lower build prices and encourage them to take on larger opportunities across the sector.

As also stated in our evidence, the G15 supports the introduction of a refund mechanism whereby the levy is repaid should any part of a building liable be transferred to a registered provider of social housing.