

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 21

Inquiry into barriers to home building in Wales

Response from : National Federation of Builders

The National Federation of Builders would like to thank the Communities, Equality and Local Government Committee for the opportunity to contribute to the enquiry into barriers to home building in Wales.

1. REGULATION

1.1 The full effect of the implementation of the Community Infrastructure Levy is currently unclear as only eight schedules out of 50 submitted had been published as of April 2013. A principle developer objection is that the levy is payable in advance. For those smaller companies struggling with cashflow, this is an added burden. Once the levy has been adopted, it is non-negotiable. If it is found to have been set too high, the necessary flexibility might be found by having to reduce requirements for social housing, producing a perverse outcome: social housing, and housing in general, generates work and jobs through refurbishment and maintenance long after the homes are built. In contrast, any levy collected may have to be kept for some time before a large enough fund has been collected to undertake any earmarked infrastructure work.

2. COST DIFFERENTIALS BETWEEN ENGLAND AND WALES

2.1 The requirement for sprinklers in new homes will add around £3,000 to the cost of a home. Without wishing to debate the merits or disadvantages of the policy itself, the point being made is that there is a cost differential that makes it less economically viable to build in Wales.

2.2 Site waste management plans are to be introduced in Wales in September 2013 as the Department for Environment, Food and Rural Affairs is consulting on removing the legislation in England because enforcement has been ineffective and because waste management is embedded in training and design and construction processes to a far greater degree than in 2008 when they were introduced. A greater incentive to managing waste has been the escalating landfill tax, rather than the requirement to have a site waste management plan.

3. FUNDING DIFFERENTIALS BETWEEN ENGLAND AND WALES

3.1 Help to Buy has boosted activity among housebuilders since its announcement in the Budget on 20 March 2013. As of 26 June, 4,700 reservations have been made through 400 participating housebuilders¹ and four high street lenders (Halifax, Lloyds, Natwest and Nationwide) have signed up to the programme. Housebuilders, such as Persimmon², have

¹ <http://www.cnplus.co.uk/news/sectors/housing/400-housebuilders-and-four-key-lenders-sign-up-to-help-to-buy/8649820.article>

² <http://otp.investis.com/clients/uk/persimmon-plc/rns/regulatory-story.aspx?cid=106&newsid=350771>

reported increases in reservations of up to 30% since the introduction of Help to Buy in April 2013.

3.2 Schemes introduced in England that have been specifically designed to help the housing and construction industry and help first-time buyers into the market are not available in Wales: Homebuy Direct, FirstBuy, NewBuy, and Help to Buy. Help to Buy, most notably, was developed to allow lower volume housebuilders access to the scheme and the attached funding. The cost of entry to the other schemes was previously too high. There have been some issues with the length of time it takes to become operational on the scheme, but the reaction has been generally positive as the scheme is seen as a means of stimulating demand.

3.3 There is a sense that devolved responsibility for housing has put Wales at a disadvantage with regard to funding. None of the above mentioned schemes is available in Wales. Wales was to introduce a NewBuy equivalent, but the introduction of Help to Buy appears to have derailed those plans.

4. CONCERNS

4.1 Access to finance

4.1.1 There has been a marked increase in housing activity in England following the introduction of Funding for Lending. This scheme, aimed at small business and individuals has helped larger volume housebuilders and existing mortgage holders to borrow while smaller companies continue to see bank lending contract.

4.1.2 Monthly figures from the British Banking Association show that lending to the construction industry fell to its lowest level in March 2013 - £7.45 billion.

4.1.3 The NFB welcomed the report by Professor Dylan Jones-Evans into financing for small and medium-sized enterprises (SMEs) in Wales and support the recommendations. However, with many banks either not lending to construction companies or seeing them as too high risk, any solution to the improving access to finance must look at alternatives to bank lending as well as at business support in order to educate companies about alternatives to high street lending.

4.1.4 Changes to the Funding For Lending scheme in April increased the amount of discounted funding that banks could access from £1 for every £1 lent, to £5 for every £1 lent. For lending to SMEs before the end of 2013, this rate would increase to £10 for every £1 lent.

4.1.5 The NFB believes that in order to ease cashflow and funding pressures on SMEs, the preferential, short-term £10 rate should have been available for lending to sound construction SMEs in order to reinvigorate lending to the sector. Perhaps this is an approach that could be investigated by Finance Wales.

4.2 Planning

4.2.1 An April 2013 study, *Objectively speaking*, by the town planner Nathaniel Lichfield found that of 55 local development plans (LDPs) submitted, only 18 were found to be sound. LDPs are the measure against which planning applications must be considered. In January 2013, there were seven LDPs in place in Wales out of a possible 25.

4.2.1 The view of NFB members is that the system is not delivering meaningful plans in a timely manner.

4.3 Stamp duty land tax (SDLT)

4.3.1 The primary concern with stamp duty is that it is a tax on a transaction. The tax needs to be paid whether a profit has been made or not. Taxes on consumption or on profits are fairer.

4.3.2 The other concern is that SDLT distorts the market for properties just above the threshold values. Selling properties at those values is more difficult because of the 'slab' approach to SDLT banding. The slab approach means that if a property is valued at just above a threshold, the tax applies to the entire transaction amount, not just the portion above the threshold.