

Pwyllgor Cymunedau, Cydraddoldeb a  
Llywodraeth Leol

Communities, Equality and Local Government  
Committee

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



**Carl Sargeant AM**  
**Minister for Housing and**  
**Regeneration**

Bae Caerdydd / Cardiff Bay  
Caerdydd / Cardiff  
CF99 1NA

3 December 2013

Dear Minister

**Inquiry: Barriers to home building in Wales**

As you will be aware, on 5 June 2013 the Committee agreed to carry out a short inquiry to identify barriers and obstacles facing homebuilders in delivering new homes in Wales. Members were particularly concerned about claims that smaller homebuilders, and people contemplating self-builds, were faced with costs that could make the development of new housing prohibitively expensive, and that some of these costs stemmed from regulatory requirements.

We received 39 responses to our call for evidence, which can be accessed [here](#). We also heard oral evidence from 11 witnesses. The transcripts of these meetings can be accessed [here](#).

We note that on 17 July 2013, you issued a written statement that addressed a number of the key issues raised during this inquiry. In particular, you announced that amendments to part L of the Building Regulations will now reduce carbon emissions from new homes by 8 per cent from 2010 levels rather than the 40 per cent that was proposed. You also announced that the introduction of fire sprinklers will now be phased in gradually. We see this as a sensible and proportionate response to current challenges facing the sector.

We also welcome your decision to establish a task force to look at housing supply in Wales and hope that the issues highlighted in this letter will inform that group's work.

Further to this, we heard evidence about the merits of the London Housing Design Guide. We believe there is merit in looking afresh at the current type of housing being built in Wales, how it could be improved and the criteria for this. **We believe you should consider setting up a Task Group for this purpose, which could develop guidelines for both affordable housing and the private sector to ensure that future housing in Wales is built to an appropriately high standard.**

We also heard evidence from house builders that it was no longer financially viable for them to build in many parts of Wales, and this could be compounded by the introduction of further regulatory requirements. However, we did not feel that this view was supported by sufficient independent data. We would like to establish why developers appear to be reluctant to develop in less affluent areas. On this basis, **we believe you should undertake a comprehensive analysis to identify why some areas of Wales have historically proved unattractive for development, and where those areas are.** This would enable Welsh Government support to be focused on encouraging development in areas with highest unmet demand.

### **Regulatory burden**

We received a number of submissions from home builders stating that they felt the cumulative regulatory burden on the industry was impeding development.

We also received a range of evidence that attempted to quantify additional costs that were directly attributable to regulatory requirements. Many of these submissions focused on the specific costs associated with proposed changes to Part L of the Building Regulations and the introduction of fire sprinklers.

We recognise that the current economic conditions are particularly challenging for home builders and urge you to continue to maintain regular dialogue with all sections of the industry. **However, we feel that the steps taken by you address many of the primary concerns of the industry and we want you to continue to maintain the high standards that are essential to deliver a high quality, safe and sustainable housing supply across Wales.**

The variations in land value across Wales led some witnesses, including Redrow, to comment that some areas of Wales were currently unviable for residential

development. These witnesses said increased regulation would simply increase the number of areas where this was the case. An issue of particular concern was that Building Regulations and the Community Infrastructure Levy cannot be negotiated on a site by site basis to take account of particular local issues such as local land values or the costs associated with redeveloping brownfield sites.

## **Registered Social Landlords**

We received evidence from Registered Social Landlords about the issues affecting the delivery of affordable housing. We recognise that the RSL sector does not just deliver housing; it makes a significant contribution to community regeneration, employment, training opportunities and the wider Welsh economy. For those reasons, it is vital the sector continues to grow.

We heard that RSLs are very experienced in building homes to high standards (meeting Development Quality Requirements, the Welsh Housing Quality Standard and Lifetime Homes standards) and should be seen as a model for the private sector in demonstrating how high standards can be delivered in challenging economic conditions. We support this view. However, evidence from the sector acknowledged that delivering these high standards does come at an additional cost, and there were calls for some flexibility in the design of homes that would allow for innovation without being overly prescriptive and, most importantly, without lowering standards.

**We believe you should continue to maintain high standards in social housing, and continue to work with the sector to identify opportunities to increase the rate of development of additional affordable housing.**

## **Land**

We received a substantial volume of evidence from developers that land values in some areas were not sufficient to make development viable. We acknowledge that land values have always varied substantially across Wales and this has long been a factor that determines where development is viable. One of the issues at present appears to be that land owners are not willing to adjust their perception of the land's value, regardless of what developers are willing and able to pay. For its part, the public sector has a role to play through the release of publicly owned land, which RSLs felt was more straightforward to both acquire and develop.

We received contradictory evidence on the availability of land for development. While some of the evidence suggested that there was an insufficient supply of

development land, other evidence suggested it was being “banked” by volume developers. There were also concerns from smaller developers that they were at a disadvantage because the LDP process favoured larger volume home builders and only larger sites were identified in LDPs.

**We urge the Welsh Government to ensure that there is an appropriate balance between the need to redevelop brownfield sites, where development costs are often higher because of remediation costs, and the justifiable need for sustainable and affordable development in rural communities.**

## **Planning**

We heard a substantial amount of evidence on the role of the planning system in delivering new homes. Many witnesses suggested the delays involved in acquiring land to developing homes were often as a consequence of delays resulting from bureaucracy within the planning system. The Local Development Plan process was criticised as being weighted heavily towards volume developers and not making sufficient provision for future population growth. We also noted the lack of adopted LDPs in fewer than half of local planning authority areas. Further to this, there were concerns expressed by witnesses about the apparent inconsistencies in planning decisions, difficulties in making the most minor of amendments to applications and planning officer recommendations being overturned by planning committees.

We heard of the increasing number of requirements being placed on developers to provide supporting information and reports to support their proposals, particularly in relation to environmental concerns. Some witnesses felt that the cost of these reports could be a particular burden on small and medium sized developers.

We accept that there is an obligation on local planning authorities to ensure that environmental concerns are addressed at an early stage in the planning process. However, **we believe you should consider the potential for the forthcoming Planning Reform Bill to address some of these issues. We see the Bill as an opportunity to streamline the planning process, reduce delays within the planning system and facilitate the delivery of more homes.**

We note that work has been commissioned by the Welsh Government to review both the planning application process for housing projects, and the functioning of planning committees and we welcome this. We hope that some of the issues that have been highlighted by this short inquiry, particularly the volume of supporting information that has to be provided to accompany planning applications, can be

addressed through forthcoming legislation. In considering these issues, we hope that a more sustainable balance can be achieved between the social and economic benefits of housing development and its impacts on the environment.

We support the use of Section 106 agreements to deliver affordable housing contributions from developers, but recognise that, where these agreements prevent development from taking place, this means that no affordable housing is delivered. **We urge you to confirm that national planning policy should support realistic Section 106 contributions which are appropriate to the economic conditions, and that these should not threaten development viability or community sustainability.**

We received evidence on the particular challenges facing development in rural areas, not only in relation to the planning system, but also in achieving economies of scale within smaller developments. The important role played by Rural Housing Enablers was also highlighted. In light of this, **we believe you should review the effectiveness of TAN 6 (Planning for Sustainable Rural Communities), and in particular whether it is presenting an insurmountable obstacle to sustainable and affordable development in rural communities.**

### **Finance for development**

We recognise the vital contribution that Welsh Government capital funding has made to the development of affordable housing by RSLs. With pressures on capital funding, we continue to be interested in the use of innovative funding models to access private finance, including from the capital markets, a number of which have been developed with Welsh Government support. We took evidence from lenders who acknowledged that rates of lending to RSLs had reduced during the credit crunch. They told us this was due to the availability of funding, not because the sector was seen as higher risk. We also heard from lenders that banks are often seeking to lend for 5-10 year periods rather than over the longer term. **We believe you should continue to support the delivery of affordable housing through innovative funding mechanisms.**

In your written evidence, you noted that many Large Scale Voluntary Transfer RSLs have access to substantial funding, not all of which has yet been accessed. While the primary focus of these landlords has been on achieving the Welsh Housing Quality Standard and, so far, there has been relatively little development, we expect there to be more significant development by this part of the RSL sector in the coming years.

We welcome your commitment for a council house building programme following the abolition of the Housing Revenue Account Subsidy System in Wales. We note your predecessor's statement, setting a target of 7,500 additional affordable homes by the end of the current Assembly. However, **we believe you should set a more ambitious target for the number of affordable homes to be delivered in each local authority area as soon as possible.**

Further to this, we recognise the difficulties that private developers have in accessing affordable borrowing, and we welcome the initiative from Finance Wales to make loans to small and medium sized construction companies.

### **Utility companies**

We heard a substantial amount of evidence that was critical of the role utility companies, in particular Welsh Water, played in both the planning and home building process. We share the concerns of witnesses that both the costs and delays associated with connecting new homes to mains utility and sewerage networks hinders development and places a particular burden on small and medium sized developers. We would like to see improved working between developers and utility providers that is neither unduly complicated nor protracted and only imposes reasonable costs that reflect the cost of the providing the connection. Furthermore, we would also like to see utility providers using LDPs to inform the on-going maintenance programmes, upgrading and extensions of their networks. **We were encouraged by evidence from the RSL sector that dialogue between the sectors was improving, and we believe the Welsh Government should take a strategic lead in facilitating further positive dialogue.**

### **Help for homebuyers**

We see access to affordable finance for homebuyers as one of the main obstacles holding back home building in Wales. The funding for the Help to Buy Cymru equity loan scheme in the draft Budget 2014-15 is therefore welcomed, particularly in light of the more widespread and established availability of such schemes in England which could put Wales at a disadvantage. We welcome the recent introduction of the Help to Buy – Wales Shared Equity Scheme.

We welcome the Prime Minister's announcement that Stamp Duty Land Tax (SDLT) will be devolved. This issue was raised by a number of witnesses who felt it distorted the market and had a negative impact on home building because of its "slab" approach. **We urge the Welsh Government to take full advantage of this development.**

## **Self-build**

We received evidence stating that, if self-build opportunities were encouraged and better communicated, self-builders and self-build groups could aid viability and the exploitation of small sites, which are generally less attractive to larger house builders.

We also heard evidence about the potential for low-cost, flexible self-build models which can be built to high environmental standards.

In relation to England, we note the recent announcement that the UK Government will provide £65 million to fund self-builders who commit to providing affordable homes in England, although no timetable has been provided for this. This follows the £30 million scheme to provide loans for the development of self-build homes in England last year. We further note there are plans to change planning guidance in England to ensure English councils establish demand for self-build in their local areas.

We believe there is potential for significant developments in the area of self-build. **We would be grateful if you would update us on the actions being taken by the Welsh Government to promote self-build.**

I look forward to hearing from you in due course.

Yours sincerely

A handwritten signature in cursive script that reads "Christine Chapman".

**Christine Chapman AC / AM**  
Cadeirydd / Chair