

Written Evidence Minister for Housing and Regeneration

Communities, Equality and Local Government Committee inquiry into Barriers to Home Building in Wales.

Introduction

I am grateful to the Committee for the opportunity to consider this area. Since I took on this portfolio in March I have quickly come to the view that my main priority as Minister must be to build homes. We are well on target to achieve our target of 7,500 affordable homes during this administration (and to bring 5,000 empty homes back into use), but I want to do more. I want to exceed our target for affordable homes but I also want the private sector to build more homes.

I want this to happen in order to meet growing housing need, but also because investment in housing generates growth and jobs, can provide work that helps people out of poverty and can ameliorate the effects of the bedroom tax when we build smaller homes. For all of these reasons we must build more. The private and public sectors must be enabled and supported to play a full role.

During the first few months of my tenure I have looked carefully at the regulatory framework, and our policy and funding, and will be announcing changes to improve our ability to support developers increase the amount of new housing in Wales. I will shortly be in a position to announce a series of initial decisions I have been able to make in this regard, the quick wins that the Committee refers to.

What are the issues?

New housing development has long fallen short of the estimated level of need. 14,200 per annum according to the Social Research Report 'Housing Need and Demand in Wales 2006 to 2026' (Holmans and Monk 2010). New housing starts reached a peak of 10,199 per annum in 2007-08 fell dramatically to 4,910 in the following year and have recovered a little to stand at 5,291 in 2012-13. The story for completions is a little less hard edged given the lead in times of development. 2006-07 represented the peak at 9,334. This declined to a low of 5,505 in 2010-11 and has also recovered a little to stand at 5,464 in 2012-13. The reasons for this fall are well understood and lie principally in the mortgage market which is the key determinant of demand.

Whilst I do want to stimulate demand, we must also be conscious of the economic evidence that a demand side stimulus, on its own, might have a greater impact on house prices than on increasing supply. To this extent stimulating the supply side will also be important.

Since taking up this portfolio I have engaged extensively with builders and developers, as individual organisations and through their trade bodies, the

Home Builders Federation and the Federation of Master Builders. The issues they raise with me are dominated by the issue of access to mortgages and their desire to see Government support people to buy, by making mortgage guarantee and shared equity models widely available.

The other issues that are raised with me relate principally to scheme viability. There are a number of factors which affect viability which all begin with the price the market can bear. According to the Office of National Statistics' House Price Index, house price inflation in Wales in the 12 months to April 2013 stood at 6.2% significantly higher than the UK average of 2.6%, and significantly higher than the 12 months to March which showed a 1.2% increase. The average house price in Wales in April was £162,078, the fourth lowest figure amongst the regions of the UK (higher only than Northern Ireland, the North East and the North West). There can be no confidence that the market has entered a steady stage of growth, indeed market analyses vary enormously in the picture they paint of the market. However, it is worth being clear that scheme viability can change significantly over short periods of time.

Viability is also affected by land price, build cost and the cost of delivering s106 obligations. Builders have made consistent presentations to me in relation to the latter 2 points. Building regulation is the key Governmental intervention in the cost of building and our recent consultation on Part L aimed at reducing carbon emissions has generated a strong response from builders. So too has the issue of fire sprinklers.

S106 obligations result from the planning system and are useful arrangements to overcome obstacles which may otherwise prevent planning permission being granted. Contributions from developers may be used to help meet local needs, including for affordable housing, or to secure benefits that will make development more sustainable. Another aspect of planning which has had an impact on the rate of development is the issue of the number of adopted plans. The adoption of Local Development Plans (LDPs) is critical for the delivery of housing as they provide the basis for rational and consistent decisions about the use and development of land. An adopted plan should therefore ensure that developers know that their planning applications will be dealt with consistently, transparently and efficiently. Nine LDPs have been adopted and it is anticipated that there will be LDP coverage for over half of Welsh local planning authorities by the end of the year. Where there is no adopted plan there is a presumption in favour of proposals that are in accordance with the key principles for sustainable development that are set out in *Planning Policy Wales*.

I note the Committee's interest in SMEs role in delivering housing. I am keen to ensure that the particular needs of SMEs are met but the scale of our ambition will rely also on the larger builders and developers who are estimated to make up about two thirds of the market in Wales. In recognition of the fact that house-building jobs are generally local in their nature, I want our policy and funding position to fit both kinds of developer.

Our Social Housing Grant Programme has been the means by which we deliver social housing with housing associations. However, local authorities have not had any significant role in developing housing themselves for some time.

Action to address these issues

Given this range of issues I am acting in several areas to improve the policy and funding framework to ensure development can happen.

Financial support

I am continuing to support the Social Housing Grant programme, providing £75 million this year for affordable housing. This includes £2 million to provide homes for Armed Forces Personnel leaving the services.

It also includes funding of £26 million from the Centrally Retained Capital fund made up of £20 million for a “Smaller Properties Programme” aimed at providing housing for households affected by the Bedroom Tax providing around 350 new homes and £6 million for the Welsh Housing Partnership which will provide approximately 260 homes for intermediate rent.

Developing new innovative funding models is essential to our policy delivery. The Welsh Housing Partnership has demonstrated that new innovative models can be successfully developed and implemented and will produce around 900 homes in total for intermediate rent by March 2016.

I am also committing £4 million per annum for thirty years to support a new Revenue Grant which has the capacity to generate over £100 million of investment and will finance the delivery of more than 1,000 affordable homes over a 2.5 year period.

The Ely Mill scheme is another example of an innovative housing model that is being developed, which combined with using our land assets will bring forward the development of over 700 new homes in Cardiff.

ii) Mortgage guarantee and shared equity.

I have been working to develop support for buyers who are struggling to secure mortgages to allow them to buy. This support will stimulate demand and encourage greater supply. A fundamental part of this strategy is the launch of a new Shared Equity Scheme: Help to Buy Cymru.

The day to day administration of the scheme will be managed by an external party, and we will be undertaking a competitive procurement process over the summer in preparation for the launch.

We are hoping to have a NewBuy Cymru mortgage guarantee scheme, however this relies on a tri-partite relationship between Government, builders

and lenders and we are seeking to secure the engagement of all parties in a viable scheme.

iii) Financial transactions monies

I have asked my officials to consider exploring the potential use of financial transactions monies and a number of new ideas are being developed particularly in support of property improvement and housing supply.

iv) Loans to builders

Through Finance Wales the Minister for Economy Science and Transport has launched the £10 million Wales Property Development Fund which makes loans to Small and medium-sized Welsh construction companies developing small-scale, non-speculative commercial and residential property. The Fund has been created in response to the strong demand from small and medium size construction companies that are unable to access finance from traditional sources. The Fund will operate on a commercial basis and by recycling investment returns, typically within 18-24 months, produce an 'evergreen' fund with the potential to provide up to £30m of available finance over five years. This could create an additional benefit to the Welsh economy of around £19m, creating up to 900 direct and indirect jobs and safeguard in the region of 700 jobs.

In addition to building more homes, also need to make best possible use of existing stock by tackling the waste that long-term empty properties represent. We are addressing that by our Houses into Homes programme which is proving to be very successful, backed up by a total of £20 million of new investment

Regulation

i) Building Regulations

We consulted in 2012 on ambitious plans to use Part L of the building regulations to reduce greenhouse gas emissions from new properties. Addressing climate change is a key Government priority but the consultation highlighted the potential for negative and unintended impacts on the property and employment market. Our sustainable development imperative requires me to balance the longer term impacts of my decision in economic, social as well as environmental terms. I have been listening and I am currently considering the implications of these impacts together with Cabinet colleagues and intend to announce a balanced and fair position shortly.

ii) Domestic Fire Safety

As a former industrial fire fighter I am personally very committed to implement the Domestic Fire Safety (Wales) Measure which was passed by the National Assembly in February 2011. A requirement to install fire sprinklers in new residential properties will prevent death and injury to householders and fire

fighters. However, our consultation has highlighted the cost implication for developers. With that in mind I am considering the appropriate approach to implementation. The approach will continue to set Wales apart as a leader in promoting fire safety in new homes, that much must not change, whilst recognising the difficult circumstances that the house-builders are currently operating within.

iii) Site Waste Management Plans

The consultation on Site Waste Management Plans (SWMPs) closed on 25 April 2013. Responses to this consultation are currently being analysed. The purpose of the plans is to encourage clients and contractors in the Construction and Demolition sector to plan how they can prevent, minimise and recycle their wastes so it is diverted from landfill. Site Waste Management Plans will help reduce waste and will contribute to reducing costs. However I recognise that for many, particularly SMEs, the task of producing plans may represent an additional cost before any cost savings are generated.

My colleague, the Minister for Natural Resources and Food also recognises that any regulatory change must meet the needs of businesses. I have agreed with the Minister that, in taking forward SWMPs, we will look at the cumulative impact of the different regulations so that any burdens on industry are kept to a minimum.

Planning

Planning plays a vital role in supporting not only the delivery of new homes, but also securing economic regeneration and community well-being, as well as safeguarding and enhancing the environment, key ingredients of our commitment to sustainable development. The importance of planning has been repeatedly confirmed by the discussions that I have had with key stakeholders across the public, private and third sectors. I want a planning system that efficiently and effectively balances competing considerations, is not a barrier to good quality development, and promotes sustainable growth and jobs.

I believe we also need to review the wide ranging and ambitious policies which the planning system has been expected to deliver to date- the “planning plus” agenda. I want to get the basics right, using the most appropriate planning delivery mechanisms, which can change over time.

i) Performance of local authorities

Central to the delivery of planning is driving up the performance of local planning authorities. I have discussed with them a performance framework, addressing both qualitative and quantitative performance. I have made it clear that the need to have an up-to-date adopted local development plan in place is non-negotiable. I am acutely aware of the issues and challenges facing local planning authorities but I am disappointed that not enough progress has

been made in securing these plans. If I believe that we need legislation to achieve improvements, I will secure them through the Planning Reform Bill, which I will be publishing later this year, accompanied by a Consultation Paper..

ii) Permitted development

As part of my “back to planning basics” agenda, is the new Town and Country Planning (General Permitted Development) (Amendments) (Wales) Order 2013 aimed at reducing the need for householders to secure planning permission for certain developments. The new regulations will be tabled this month and, subject to approval by the National Assembly, will come into force at the end of September. The 3 month lead in time is to ensure that local planning authorities, agents and the construction sector have a lead in period prior to the changes. The order reflects a move from a percentage increase threshold, to an impact based assessment which should safeguard the amenity of adjacent residents.

Another project underway to secure improvements in the planning application process is proposed new regulations to enable minor amendments to planning permissions which should assist implementation of approved schemes. These changes should benefit all users of the planning application process, including the construction sector.

ii) Improving processes

My officials are also looking at the barriers to housing delivery more widely to see what additional changes are required. Consultants have been commissioned to review the planning application process, informed by case studies across Wales. I expect this report in the autumn. In addition, research into the functioning of planning committees is nearing completion.

iii) The importance of plans

The need to have an up-to-date adopted local development plan in place is non-negotiable. I am acutely aware of the issues and challenges facing local planning authorities but I am disappointed that not enough progress has been made in securing these plans. If I believe that we need legislation to achieve improvements, I will secure them through the Planning Reform Bill, for which I will be publishing a consultation in Dec 2013.

In the meantime I continue to press authorities to speed the adoption of plans and have already acted by requiring local authorities to maintain and update their Local Housing Market Assessments within two years from 1 April 2014. I believe this will strengthen the evidence base that underpins local authorities' strategic housing function supporting the housing strategy, Local Development Plans and associated functions.

Further action

i) Housing Supply Task Force.

I recognise that these actions, whilst important, are only the start of building a rounded policy and funding framework, which can encourage housing supply across all sectors. To this end I have asked Robin Staines Director of Housing at Carmarthenshire County Borough Council to head a small task force to look at the barriers to development and offer me advice on that framework.

The task force will focus on three areas; the potential for local authorities to build homes through various means, open market housing development and affordable housing development, reflecting my agenda. I am looking to make quick progress and the group will report as it develops its thinking and finally in February 2014

ii) Land supply

The availability of public land for development is one of the key interventions that Welsh Government is able to make in the current public spending climate. To this end I have added to the resource available to me to identify potential sites and prepare it for development. I am currently discussing with other Ministers how to make the best use of Government Land.

Carl Sargeant
Minister for Housing & Regeneration
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