

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 02

Inquiry into barriers to home building in Wales

Response from : Redrow Homes Limited

1.1 Further to your invitation of 13 June, I am responding with my views as Managing Director of Redrow Homes (South Wales) a Division of Redrow Group Plc. My divisional office is based in Cardiff and Redrow Group HQ is based in Ewloe, Flintshire. I have over 26 years experience in the industry, 15 at Director level.

1.2 Your terms of reference are noted and it is my intention to focus specifically on the impact of costs of development and what assistance could be provided to the industry as a whole; however I will also comment briefly on land supply and the Planning System, as both impact on housing delivery in Wales.

1.3 Land Supply/Local Development Plan

The reform of the current system is long overdue and the industry looks forward to the forthcoming Planning Bill which will hopefully streamline the process and reduce cost and delays. However the Bill must recognise that the present system, where there is no Local Development Plan (LDP) in place, allows Local Authorities to determine **future land supply utilising past build rates (PBR's)**. **Bearing in mind** the low number of homes built over the last five years this is hindering growth by excluding potential sites being brought forward. It is totally unacceptable and needs to be addressed.

1.4 Costs of Development

This is a subject on which I and others in the industry have previously written to Ministers in detail. The major concerns are of viability, present and looking forward, and the impact of new Building Regulations – Part L and Fire Suppression. On 29 October 2012 I wrote to the (then) Minister for Environmental and Sustainable Development, John Griffiths. My specific objective was to draw attention to the differential between the costs of building between Wales and England, now and in the future. In terms of the present, Code requirements in Wales (Level 3+) add £2,900 of additional cost

to a house built in Newport as opposed to Bristol. Or indeed in Wrexham as opposed to Chester. I will again draw attention to WG2012 Consultation Document on changes to Building Regulations in Wales Part L (Conservation of fuel and power).

Chapter 3 Table 3.2 of this document sets out further increases of capital costs of £3,300 per dwelling and £4,200 per dwelling against a 25% and 40% reduction in carbon emissions respectively compared to Part L 2010.

The document goes on to state that these ‘average’ figures increase to £6,375 and £7,275 per dwelling with the incorporation of sprinklers.

It can therefore be concluded that to meet 40% carbon emission reduction and incorporate sprinklers, all by the WG target date of 2015, will produce a total difference of £10,175 per dwelling against an equivalent home in most neighbouring English counties today. To reiterate, these are based on WG figures, not house builders figures as Ministers often like to quote.

1.5 Impact of Costs of Development

These costs will have a disastrous effect on viability, house prices remain stagnant and this is likely to persist for the next five years if no stimulus is present. Indeed private speculative development will become restricted to only the higher value areas such as Cardiff and the Vale – areas such as RCT and Merthyr have already become unviable for my Company. Low margins, constrained growth through planning/cost issues do not make a good business model for any Company and future investment will flow out of Wales and into neighbouring counties of England where trading conditions are more favourable, impacting on Welsh jobs, Affordable Housing provision and the wider Welsh Economy. For example, at the time of writing this response, I have just learnt that the Design and Build Contractors OPCO have gone into administration, along with Healers Consulting Engineers.

1.6 Assistance or Quick Wins by WG

1.7 Suspension of Part L Changes

We already build to a higher standard than other parts of the UK. Whilst the industry recognises that improvement is important, the

current market conditions cannot sustain more change. Suggest a minimum two year suspension and a relaxation of the target to 25% improvement beyond that period.

1.8 Review of Fire Suppression Measures.

The Measure was passed through Government on the basis of saving lives and injury, however the Measure only applies to new build property, whereas the evidence provided in support of the Measure was based on historic data from all housing/institutions. WG are unable to **extrapolate the 'historic' data for new build** properties where a hard-wired smoke detector has been fitted so it is not possible to accurately determine the saving of life and injury if the Measure is applied.

The whole basis on which the Measure has been passed is therefore, flawed, and in my opinion, open to legal challenge.

1.9 New Buy/Help to Buy

The Committee will be aware of the English schemes both in place and proposed, all of which is demonstrably stimulating the housing market **in England, helping both first time buyers and those wishing to 'trade up' from their existing property but have struggled due to the** constrained mortgage market. New Buy is a Mortgage Insurance Guarantee (MIG) scheme which helps buyers to access up to 95% Loan **to Value Mortgages. Help to Buy is a 'Shared Equity' model with a** Government Body effectively providing a 20% loan against the property. **WG had proposed 'New Buy Cymru' but this is shelved at** present. WG need to work with lenders and the CML to unlock both New Buy and Help to Buy for the Welsh market. I understand this process is ongoing.

2.0 Conclusion

The WG need to consider all of the above, and what the Housing Industry means to Wales in terms of jobs, delivery of homes of all tenure, and the wider Welsh Economy. I find it very depressing to hear/read of ill-informed Ministers passing judgement on an industry **they don't really understand. Significant housing delivery can only** come from private sector investment, as Government funding **continues to be under pressure. 'All Stick and No Carrot' is not the** answer.

If the WG are serious about meeting housing delivery targets, there needs to be less political rhetoric in the Senedd and more pragmatism. There should be a cross-party working group, chaired by the Housing Minister and including Private and Public Sector members, tasked with Housing Delivery for Wales.

Stuart Rowlands
Managing Director
Redrow Homes South Wales
26 June 2013