

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 05

Inquiry into barriers to home building in Wales

Response from : West Wales Business Initiative

Background

For many years analysts have forecast that Wales needs to build about 10,000 new houses per annum purely to maintain its housing stock. For the past 5 years we have completed less than 5000 per annum. See **Table A** attached. The reasons for this are varied – the recession, the withdrawal of affordable mortgage finance, market confidence, rising unemployment. These in turn have caused problems for the Housebuilding & Construction Industry.

Put into context, the problems facing the industry have been compounded by **inconsistency** in :

The bureaucratic and misguided **Planning Regimes** of County Councils in Wales.

Development Finance has ceased to exist for the past 5 years as Banks have avoided the property market. Banks will not market or use government guaranteed **loan schemes**.

Land prices. The holder of the largest amount of possible building land in Wales is the **Public Sector**, which is in a position to hold onto land, regardless of need or the market, thereby creating an artificial price structure.

The stringent and expensive **Building Regulations** that are imposed with lack of proper thought, and **high indirect costs** imposed by the **Utility Monopolies** – gas, water and electric, whose charges are totally unrelated to what it costs them. Frequently a £2,000 job becomes a £10,000 cost to builders. This is an area where Government should look more closely, especially as they enjoy a monopolistic position and can impose whatever they like on builder/developers (who, after all, are the ones who actually provide the country's infrastructure).

The **Professional cartels** – Solicitors who operate small town cartels, escalating fees and again the **Banks** who at a time of low interest rates make up for this by charging high arrangement fees.

All the above has contributed to social decline as buyers (particularly young first time buyers) are faced with

Having to raise unrealistic deposits
Lack of mortgage finance offers and.
High legal and Conveyance Fees. (solicitors)

Whilst those with well paid jobs who are able to save (or obtain from family) the 20% + deposit, are able to take advantage of historically low mortgage interest rates. Wales, being the lowest paid regions of the UK, has consequently suffered disproportionately as a result.

All the above are **Constraints** on Welsh business and the general economy, that can be removed through action by the Assembly Government.

Examples : How both local and central Government action has damaged the Wales economy :

No thought given to knock on impact of the delays in implementation of **Mortgage Support Scheme**, announced in Autumn 2012 for implementation in Spring 2013. People held off buying to await this scheme, only to find it cancelled. This 6 month standstill had a significant cash flow impact on Welsh housebuilders. Production in many cases was put on hold.

Stamp Duty, which in many areas of Wales started at 1% on houses above £150k, was reduced in April 2013 to starting at £125k. This resulted in a downturn of building, as builders could not achieve profitability due to buyers demanding sales at no more than £125k.

The above **double whammy** meant that government action reduced sales and therefore tax intake !

The problems of the **Banks** has meant they have put pressure on Property Valuer's to reduce valuation of new build homes in order to enhance security. This in turn has affected profitability as houses costing X are often valued at less than cost.

County Councils, who are responsible for planning and associated costs such as **Section 106** which is unreasonably imposed on new developments. Section 106 Agreements are punitive, and seem to be premised on the assumption that because there are new houses in the area, the council will incur additional costs. We cannot follow this logic; building new houses does not cause population increase, it follows the need created by population increase. Also these houses pay domestic rates.

Interdepartmental co-ordination is lacking e.g. between **Planning & Highways** who frequently cause problems by acting in a contradictory way.

Government departments – who will not help private developers if their plans are in competition with WAG supported schemes. e.g. WAG/Wales Industrial Partnership

County Councils dream up schemes (with high fees) that they claim they are given under the powers of the Local Government Act. These are effectively taxes. e.g. If you erect scaffolding to paint your house you can be charged £150 under Building Regs/Planning fees. Building Regulation inspectors frequently drive around looking for people who are refurbishing their property.

The **Welsh Government** has imposed additional specifications for new build houses in Wales which are higher than England. This adds to the cost of construction, but does not add to the value. The net result is that margins are reduced and development is less attractive. WG introduced these changes without any apparent understanding of the effects.

There is a complete lack of commercial awareness in both **Local and Central government**. As well as business issues they do not understand that quality employment is long-term and on a proper PAYE basis, which used to be called a career. This should be available to as many people as possible, including blue-collar workers, whereas civil servants think that careers are privileged to the public sector.

Table A- New dwellings started and completed by tenure (a) (b)

Number

	Private sector		Registered social landlords		Local authorities		All tenures	
	Starts	Completions	Starts	Completions	Starts	Completions	Starts	Completions
2002-03	9,014	7,522	497	782	11	6	9,522	8,310
2003-04	9,480	7,863	566	417	14	16	10,060	8,296
2004-05	9,095	7,986	381	475	34	31	9,510	8,492
2005-06	8,613	7,883	356	347	0	19	8,969	8,249
2006-07	8,732	8,988	391	346	12	0	9,135	9,334
2007-08	9,732	8,316	467	343	0	5	10,199	8,664
2008-09	4,459	6,429	443	692	8	0	4,910	7,121
2009-10	4,393	5,291	914	880	0	3	5,307	6,174
2010-11	5,001	4,513	776	992	21	0	5,798	5,505
2011-12	-	4,746	-	829	-	0	4,971	5,575
2012-13	-	4,720	-	744	-	0	5,291	5,464
2008-09:								
Apr-Jun	1,838	1,990	80	169	8	0	1,926	2,159
Jul-Sept	1,196	1,648	101	146	0	0	1,297	1,794
Oct-Dec	623	1,532	59	162	0	0	682	1,694
Jan-Mar	802	1,259	203	215	0	0	1,005	1,474
2009-10:								
Apr-Jun	1,007	1,505	289	246	0	0	1,296	1,751
Jul-Sept	1,104	1,115	274	174	0	0	1,378	1,289
Oct-Dec	1,002	1,563	94	271	0	0	1,096	1,834
Jan-Mar	1,280	1,108	257	189	0	3	1,537	1,300
2010-11:								
Apr-Jun	1,377	1,298	368	182	0	0	1,745	1,480
Jul-Sept	1,217	1,128	265	167	21	0	1,503	1,295
Oct-Dec	1,079	1,208	73	328	0	0	1,152	1,536
Jan-Mar	1,328	879	70	315	0	0	1,398	1,194
2011-12:								
Apr-Jun	-	1,460	-	160	-	0	1,205	1,620
Jul-Sept	-	908	-	224	-	0	1,427	1,132
Oct-Dec	-	1,405	-	313	-	0	1,014	1,718
Jan-Mar	-	973	-	132	-	0	1,325	1,105
2012-13:								
Apr-Jun	-	1,406	-	223	-	0	1,236	1,629
Jul-Sept	-	1,118	-	113	-	0	1,493	1,231
Oct-Dec	-	1,276	-	190	-	0	1,234	1,466
Jan-Mar	-	920	-	218	-	0	1,328	1,138

Source: New house building collection from local authorities & NHBC

(a) Figures include all dwellings inspected by the National House Building Council. Excludes acquisitions and hostel bedspaces

(b) From 1 April 2012 onwards information is only collected on total starts without a breakdown by tenure. Further information is available in the key quality information section.