

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 08

Inquiry into barriers to home building in Wales

Response from : Persimmon Homes East Wales

We very much welcome your invitation to submit evidence into your Inquiry regarding the Barriers to Home Building in Wales (which in many respects is long overdue).

- 1.0 **Introduction** – The house building industry in Wales has been under significant strain for the past 4-5 years and as individual builders, together with the Home Builders Federation, we have been lobbying Local Authorities and the Welsh Assembly Ministers to appreciate the severe issues that we are currently dealing with in order to survive and maintain a viable house building industry in Wales.
- 2.0 **Development Costs** – There is absolutely no doubt that the increased development costs are placing a significant burden upon the viability of projects and thus are constraining the delivery of new homes in Wales.

These development costs can be divided into Direct Costs and Indirect Costs.

- 2.1 Firstly, Direct Costs are those costs which are brought about by Government intervention and changes to Building Regulations and the costs of raw materials.
- 2.2 If we consider the base building cost to be the 2006 Building Regulations (i.e. pre-recession) then the actual costs of development have risen as a result of the Code for Sustainable Homes Level 3 plus 1 credit and Ene 1 – Dwelling Emission Rate. This equates to an additional cost of £3,000-£4,000 per dwelling (average dwelling size of circa 100m<sup>2</sup>).

Further changes to the Building Regulations and increasing the minimum level to Code 4, plus the introduction of fire sprinklers into new residential dwellings is causing uncertainty within the industry and thus impeding the delivery of new homes.

- 2.3 The indirect costs which have impacted upon the delivery of new homes is the ever increasing burden of Section 106 Planning Obligations that are being sought by each Unitary Planning Authority.

Financial contributions are being sought for a growing shopping list including; education, transportation, Community facilities, libraries, public open space/ play areas, together with huge sums for commuted maintenance payments.

The typical average contribution being sought is between £7-£10,000 per dwelling on the majority of schemes.

However, in addition to the above financial contributions, developers and house builders are required to subsidise the provision of between 20-40% of the dwellings as Affordable Homes due to the lack of any social housing grant being made available via the Registered Social Landlords/Housing Associations. Whereas, pre 2008 the RSL's

were able to bring grant subsidy into the schemes and generate a positive value for the affordable dwellings, nowadays, the affordable dwellings generate a substantial negative value and therefore, the 'gap funding' has to be found from within the scheme (but this is very often the straw that breaks the back of the scheme's financial viability).

- 3.0 **Specific Concerns of Construction Companies** – The housing industry in Wales has been abandoned by the Welsh Assembly Government and we have not received any financial support such as 'Kick-Start', First Buy, Home Buy etc which has been very successful in England and has enabled the house building industry to show signs of recovery and re-introduce the first time buyers into the market.
- 3.1 The concern of the industry in Wales is the Welsh Government's lack of positive intervention and their pursuit of a 'greener' environment ahead of the UK's agenda which has been to the severe detriment of housing supply in Wales.
- 3.2 The additional burden of planning obligations, together with the Code for Sustainable Homes and changes to the Building Regulations have now added circa £10-£12,000 to the average cost of building a new home in Wales.
- 3.3 This, coupled with the average price of a new home falling by circa 25% over the same period i.e. (2008-2012) has caused many new housing projects to stall or become unviable.
- 3.4 In such circumstances, the Financial Institutions are unwilling to provide the development finance required to purchase the land or provide the working capital to enable projects to get off the ground due to the high level of risk associated with the project and the low level of financial returns forecasted.
- 3.5 The costs and delays associated with a Planning Application is also a material concern within the industry.
- A typical Planning Application together with supporting reports and planning documents will cost circa £100,000 for a medium sized project of 50 dwellings.
- 3.6 The time taken to process such an application through to the final determination is between 9-12 months, during which time the applicant is likely to be requested to submit further reports and amended plans in order to deal with the consultee responses received by the Planning Authority.
- 3.7 The majority of Planning Applications are delayed due to the time taken for the statutory consultees to respond to the Planning Authority and in most cases the LPA will receive a 'holding objection' from Welsh Water in respect of sewerage capacity and a request from Welsh Water for the applicant to undertake a hydrological drainage modeling assessment of the local drainage network. More often than not these modeling assessments are unnecessary and Welsh Water are looking for reasons to defer or delay new schemes connecting onto their network in areas where they have fallen behind with their Asset Management Improvement Programme (AMP).
- 3.8 Furthermore, within the Planning Authorities themselves we have to deal with various battles between departments such as Urban Design & Highways and there is no clear direction as to the hierarchy of design that would be deemed acceptable by all parties. This results in the need for a series of meetings to be held over a number of months with the various parties concerned in order to achieve a layout and design that is deemed acceptable to all parties.

- 3.9 The term 'sustainable development' often gets abused by some Planning Authorities and in many instances there appears to be an imbalance between the weight apportioned to the environmental issues and the social/economic benefits generated by the proposed scheme.
- 3.10 This imbalance in favour of the environmental issues causes major delays and can often lead to tens of thousands of pounds being spent on Ecological and Environmental Reports – just to prove that the development does not have a material impact. However we are not required to submit reports of equal weight to demonstrate the social and economic benefits of the scheme and it appears that there is a presumption 'against' development rather than going back to the first principles of the Town & County Planning Act (1947) where there was a presumption 'in favour' of development.
- 4.0 **Identify – “Quick Wins”** – There needs to be a clear message fed down from the Welsh Government to the Unitary Planning Authorities together with the statutory consultees i.e. National Resources Wales etc., that the planning system needs to be more flexible and that there must be a willingness to take decisions promptly on a balanced judgement, rather than seeking supplemental reports to justify a potential concern.
- 4.1 The Welsh Government needs to relax their “Green” agenda and allow the house building industry to recover back to normal trading conditions before introducing any further regulation changes and increased build costs (i.e. fire sprinklers).
- 4.2 The Welsh Government need to implement the Home-Buy Cymru Scheme (or similar) without delay in order to bring back first time buyers to the housing market.
- 4.3 Local Planning Authorities must be informed that they need to take a far more pragmatic approach to the Affordable Housing requirements via Section 106 and not frustrate and delay planning applications due to onerous requests for high levels of Affordable Housing.
- 4.4 Statutory Consultees must respond within the statutory time periods for planning applications – failure to respond within the statutory period would be deemed as “a non objection” and the Planning Authority could determine the application accordingly.
- 4.5 Planning Authorities to be instructed to take a more pragmatic approach to 'Sustainable Development' and consider equal weightings between social, economic and environmental issues.

We trust that you will find the above submission of relevance and hope that it will assist your inquiry in producing a strategy for introducing some desperately needed positive intervention at the earliest opportunity.

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**LAND DIRECTOR**