

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 03

Inquiry into barriers to home building in Wales

Response from : Powys County Council

Whilst we consider that the specific terms of reference of the enquiry are directed more at the house-building sector than at local government Powys County Council would offer the following background statement in evidence to the committee.

Powys County Council has, for some 8 years, had an Affordable Housing Partnership consisting of Council Officers and Members, RSL development officers and private sector partners, including representatives of the house-building sector.

The discussions and deliberations of the partnership have frequently centred on the issue of delivery, not just of affordable housing but of housing in general.

Powys is a totally rural county covering over 20% of the land mass of Wales with few settlements sufficient in size to attract any volume development. As a consequence of this we rely heavily on small to medium size enterprises to deliver new housing as well as a considerable number of single property developments, some in open countryside.

The lack of volume development and of what might be called a “critical mass” in terms of settlement size means that economies of scale are difficult to achieve and therefore development costs are increased as supply distances become stretched, particularly in the more remote sections of the county.

It is a matter of record of the partnership that figures on development costs can vary between settlements in amounts of up to £400 per square metre.

Evidence of this cost differential may be seen in the fact that recent **assessments of scheme viability by the District Valuer’s Office have resulted** in reduction, in one example, of the section 106 requirement for affordable homes from seventeen to zero. Whilst this is the largest reduction it is not alone and means that Powys does not appear able, under current policy, to achieve significant planning gain requirements.

Since the management of Social Housing Grant allocation was transferred to local authorities in April 2011 Powys has managed to spread the grant thinly enough to provide some 200+ affordable homes, including those provided with support from WG funding initiatives such as the Strategic Capital Investment Fund. However, it is the opinion of the Council and its partners that reliance on such opportunities is not a sustainable method of growth and will not provide the confidence required by house-builders to re-enter the market place.

The largest single house-builder in Powys is PAR Homes of Llandrindod Wells and the company is represented on the Powys partnership, playing a full part in strategic planning on delivery. It is certain from the discussions held that PAR Homes has been hit by the ever-increasing cost of development. Other builders have laid off workers and some have either ceased trading or reduced the scope of their operations.

One developer of modular units, Elements Europe, have pulled back from housing **development and now concentrate on the more “reliable” market in** hotel and student accommodation, which means they now have no prospect of developing in Powys.

A particular element of the increasing cost of development that continually concerns the partnership is the apparent imbalance between the striving for **higher “green”** and safety standards and the cost vs saving ratio of such additional requirements as Solar PV or sprinkler systems. These bolt-ons are heavy upfront cost to the developer and, in any form of rental market almost impossible to repay in a reasonable period of time.

It is difficult to imagine how government initiatives can have an effect on the rising cost of development. Funding initiatives such as mentioned above have a very limited impact and result in small bursts of new building, mainly through social landlords. However it remains the underlying fact that without subsidy, either in terms of cash grant or land release, development costs will continue to rise inexorably while a near stagnant market will be unable to fund the **“new-build premium” that such costs produce.**