

Cynulliad Cenedlaethol Cymru
Pwyllgor yr Economi, Seilwaith a
Sgiliau
Rhwystrau sy'n wynebu cwmnïau bach
sy'n adeiladu cartefi
EIS(5) BFSHBF06
Ymateb gan Home Builders Federation

National Assembly for Wales
Economy, Infrastructure and Skills
Committee
Barriers facing small home building
firms
Evidence from Home Builders
Federation

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. The HBF's member firms account for some 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.

The HBF welcomes the opportunity to provide evidence to this inquiry and would firstly refer to the HBF report [Reversing the decline of small housebuilders](#) published in January 2017. Although this report did not look at the specific issues faced in Wales, it is still considered relevant as many of its findings could be applied in Wales. In summary this report concluded that the main barriers facing SMEs are:

- **Land and Planning** - The availability of suitable housing sites, and the constant struggle of securing an implementable planning consent through a planning process beset by delays and bureaucracy, create delays and costs.
- **Finance** - Availability and terms of financing for residential development has become extremely difficult for small housebuilding companies over the past decade or so.
- **Red Tape** - Bureaucracy in the development process in addition to that directly linked to planning is a source of frustration for most housebuilders.

The report goes on to provide more detail around the issues identified above and offer a range of solutions. Although a number of these would not directly apply in Wales due to the differences in Planning and Building Regulations, the report is considered a good starting point in terms of identifying issues and potential solutions. We will, however, deal with the more Welsh specific issues along with suggested solutions below and provide answers to the suggested questions asked by the Committee.

WELSH SPECIFIC ISSUES

➤ Land and Planning

- Although Wales has had a separate planning system to England since 2015, we have received no evidence from members that this has made it any easier for SME builders in Wales.
- The definition of major development being set at 10 dwellings means that a developer looking at a 10-unit site is required to meet the same planning requirements and submit the same raft of planning documents as a development of 100 or 1000 units. Most national house builders now concentrate on sites of more than 50 units and have the resources (often in house) to deal with the ever growing and more complex planning requirements. Raising this threshold (even just in urban areas) to 20-30 units could immediately make the planning process simpler for SMEs.
- Pre-Application Community Consultation is required on sites of 10 units or more in Wales. This process not only adds time to the planning process but is also costly, members have also advised that they have not seen any real benefit from the process and it has certainly not resulted in a quicker overall planning decision which was identified as one of the main reasons for its introduction. Raising this threshold to 20-30 units could immediately make the planning process simpler for SMEs.
- The Local Development Plan Process – Wales operates in a ‘Plan Led System’ and is where land suitable for housing development is identified, however, this process is considered difficult for SMEs to engage in. The current round of LDPs started in 2005 and we still don’t have 100% plan coverage across Wales, with LDP’s taking on average 8 years to adopt.
- LDP’s in most cases do not allocate land for sites of less than 10 units and instead rely on these coming forward as ‘windfall sites.’ There has been a move to allocation of much larger sites and less of them with recent plans. The way in which the LDP process engages with SMEs should be considered as well as how both policies and allocation can be provided that assist SMEs.
- Although Planning fees have not increased in a number of years, many of the services such as pre-application discussions are now being charged for. Remove additional planning charges for applications below the suggested new threshold of 20-30 units

➤ Finance

- We understand that the introduction and growth of the Development Bank of Wales and the various funding streams it offers has been seen as a positive in Wales and has helped a number of members. However, we understand that this is less likely to assist with new entrance to the house building market and is currently more geared to assisting the growth of established companies. Our understanding is that the current funds also don't cover any of the upfront costs such as planning which are becoming a much larger proportion of the overall development costs.

➤ Red Tape

- Building Regulations is the next level of bureaucracy after planning faced by developers and again is devolved to Wales. Over recent years we have seen several changes to building regulations in Wales such as Sprinklers, and SuDS which make it more complex to develop in Wales. In implementing these changes, they applied in the case of sprinklers to all houses and SuDS to all develops of two or more houses has meant that SME's are subject to the same requirements. Consider how any future changes in Building Regulations in Wales do not disadvantage Welsh Housebuilders both large and small.

The HBF would also respond to the Committee's specific questions posed in the invitation to submit comments as follows:

- The availability and effectiveness of Welsh Government (and other) support and finance for small home builders. - No comment other than those made about Development Bank of Wales above.
- The availability of a skilled construction sector workforce - Currently it is generally recognised that there is a shortage of skilled labour in a number of the key house building trades. Wales has a limited pool of labour and in both North and South Wales much of this labour has the temptation and ability to work in England as well.
- Access to suitable development sites - This has been covered in the planning section above. We would add that as part of HBF's involvement in the current affordable housing review we are aware that the availability of Welsh Government (WG), Local Authority and other public sector land, has been looked at. If this review concludes that there are ways this land could become more easily available for housing development, we consider that this could apply to private SME developers as well as just for affordable housing.

- The Planning system and the extent to which it actively facilitates developments by small home builders - This has been covered above in the planning section above.
- The dominant position of a small number of big firms – We do not consider that this directly impacts on the ability of SMEs to build houses, however, indirectly it could be seen that both planning and finance are aligned to larger developers as these are currently the main providers who can deliver the much needed housing, both private and affordable, in Wales.

In terms of understanding the proportion of new housing in Wales currently delivered by small house builders, including consideration of the following areas the HBF would make the following comment:

- The impact of Help to Buy Wales - Help to Buy Wales has been a major driver in the delivery of new Homes since its introduction in 2014 and has been responsible for around 32% of the new private homes delivered. HBF understands that over 100 companies registered to use the scheme and we are not aware of any reasons why SME's builders could not use the scheme.
- The potential impact of increasing the proportion of new housing in Wales delivered by small home builders – HBF are not aware of any issues that this would result in and consider there are many positives such as the likelihood of more of the economic benefit created by house building being recirculated in the Welsh Economy.
- The extent to which small home builders are involved in the delivery of affordable housing (including the impact of current procurement rules) – Although the HBF is not in a position to provide a response to this question., we note that the most recent WG statistics indicate that private sector housing delivers a third of the affordable housing delivered last year in Wales.

CASE EXAMPLE

We would also like to provide the Committee with the following case example provide by one of HBF's members which helps to highlight a number of the issues identified above:

The company started trading in 1995 undertaking small housing developments and employing typically three or four people, being totally reliant on subcontract labour and outsourcing professional services. In the early 2000s we developed planning expertise and concentrated on securing Option Agreements and bringing larger sites through the planning and appeal process. Whilst we

developed some of these sites, primarily we sold sites on to other house builders. Over the following ten years there became more emphasis on the company building sites out as the availability of working capital and funding opportunities grew. By 2013 we were building approximately 60 dwellings per year and employed in the region of 50 site/office staff. Whilst some were on a subcontract basis many trades had worked solely for the company over several years and were totally dependent of our house building programme. We were seen as a reputable local company and only developed in the one County sourcing local labour, materials and professional services. Most of our £12M turnover was spent in the immediate local area. 2014/15 saw the company pushing for growth as there was great demand for our product. The fact that most of the land allocated in the Councils LDP was not genuinely available was not ideal, but as there were other contingency and reserve sites available and a safeguarding position to bring other sites forward which the Council felt were suitable to meet acute local needs and to rectify an identified housing land shortage.

We secured a number of sites through option agreements and submitted three planning application in 2015/16 for approximately 250 houses. These were either allocated in the LDP or earmarked as being suitable for development should there be a need.

The planning applications were submitted in Nov 2015, July 2016, and Nov 2017. The sites were seen as a catalyst for growth with the following aims.

- To increase productivity from 60 dwellings per year to 120
- To increase turnover from £12M per year to £25M
- To develop new headquarter offices and expand the business outside the County.

We obtained a strong funding line with a high street bank which reflected our good performance with them for over ten years. We developed our new headquarter offices and built a strong team to take the company forward. Our existing land supply was predicted to be developed with final completions in March 2018. We had every reason to expect that the planning applications submitted in 2015/16 and 17 would bring productivity forward and grow the company as planned. However substantial planning delays meant that we only received consent for two of the sites in Oct 2018. The third site which was submitted to the Council in July 2016 (2.5 years ago) has ended up at appeal and has been in the hands of the Planning Inspectorate for 15 months. We understand this time scale is partly due to a number of considerable changes in planning

legislation [temporary dis-application of para 6.2 of TAN1 and the publication of PPW10] which we could not have planned for.

Typical of many SMEs, we do not hold land ready for development and cannot risk relying on wholly speculative developments as we have to plan and obtain planning consents in a sequential manner. We consider that we did everything correctly and therefore pursued sites that were either allocated or which the Council had positively steered us towards due to the land shortage in the County. All three sites were subjected to substantial and unnecessary delays, particularly in relation to unreasonable Highway requests and delays. A consequence of this was that the company will have no house completions and money from sales from March 2018 to June 2019 (15 months) despite the company gearing up for growth based on reasonable assumptions on planning consents coming forward. This has been particularly damaging not only in terms of our growth plans but also in terms of threatening the survival of the company going forward. We have had to make redundancies, but many other trade companies have had to considerably cut back their workforce. The main consequences are:

- Over thirty jobs have been lost over the last 18 months due to the delays. These include three local apprentices as we are now unable to meet their placement conditions.
- Losses from our capital reserves over that period exceed £1M. As a consequence, we have lost our well established and essential funding line.
- We are forced to look further eastwards to build where the planning and other issues are less cumbersome and onerous. The last four years has seen two local housebuilders contract their activities in this County.

Our experience/plight is similar to many SMEs where they are reliant on local Councils to allocate and grant consents on land which is genuinely available and in a timely manner. The entire system continues to become more onerous and it is extremely difficult for SME housebuilders to survive and almost impossible for new housebuilding companies to start up as the need for expensive expert and specialist services to submit schemes for even small-scale developments is increasing. It would be useful to raise the threshold of major sites to say 25 houses below which the process should be much less onerous. Similarly, there should be a streamlined system for allocated sites.