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Ysgrifennydd y Cabinet dros Lywodraeth Leol, Tai a Chynllunio
Cabinet Secretary for Housing, Local Government and Planning



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: PO/JJ/183/24

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cc Simon Harris, CMA Wales
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10 July 2024

Dear Sarah

Thank you for the work you and the team at the Competition and Markets Authority have undertaken to prepare and publish the study report into the housebuilding market in Britain. I welcome the announcement to open a new investigation into the suspected sharing of commercially sensitive information by housebuilders which could be influencing the build-out of sites and the prices of new homes.

In terms of the recommendations and options for government to consider as they apply to Wales, I am responding thematically as some will depend on action to be taken by the UK Government in collaboration with the devolved governments.

Private management of public amenities on housing estates and preventing the proliferation of private management arrangements on new housing estates.

I agree that the Welsh Government should consider implementing common adoptable standards for public amenities on new housing estates. Common standards may help local authorities and service providers adopt housing estates on their completion. Developing common adoptable standards would be a significant endeavor and will not be possible to implement in the short term. My ambition remains that local authorities should adopt public amenities. I do not agree that this should be a mandatory requirement. Local planning authorities are best placed to determine the appropriateness of adoption of public amenities on estates in their areas. I am working

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

closely with our planning authorities to ensure a decision on whether amenities are to be adopted is taken much earlier in the planning process.

Providing greater protection to households living under private management arrangements

I agree that the UK Government, in consultation with the Welsh Government and the Scottish Government should introduce enhanced consumer protection measures. These should be underpinned by a robust enforcement regime. The Leasehold and Freehold Reform Act has introduced new rights to freeholders subject to estate management charges.

Although the aim of the new regime for freeholders is not specifically consumer protection, the Act will improve transparency and accountability for homeowners. The new arrangements when introduced will rely on the homeowner challenging unreasonable charges with the tribunal, but the existence of a method to seek legal remedy will encourage better performance on the part of estate managers.

Your report rightly focused on the significant imbalance of power between embedded private estate management companies and households. I am not convinced that this imbalance exists where a residents' management company of the relevant housing estate is written into the TP1/deeds. On this basis, the prohibition of new embedded management arrangements should not apply where the management company is constituted of the residents of the relevant estate. I agree that resident management committees could benefit from improved guidance, and I will be asking officials to prepare improved guidance in line with your recommendation on this point.

Quality of new homes produced, and service provided by housebuilders. Eliminating drip pricing and providing greater clarity to buyers regarding the true cost of their new home including pricing for optional extras.

I agree with these recommendations. The New Homes Ombudsman (NHO) provisions within the Building Safety Act provide the opportunity for the UK Government to introduce the recommended changes. The Welsh Government is supportive of the NHO approach including a single mandatory consumer code. My expectation is for the proposals set out in recommendations 2.1 to 2.4 to be implemented through the work of the NHO.

Developing an independent single consumer satisfaction survey and publishing key quality metrics.

I agree in principle with recommendations 2.5 and 2.6 of the report. An independent body to develop, maintain and undertake a single consumer satisfaction survey on the quality of new homes and the service provided by all housebuilders, and a requirement to participate in the survey to display their key quality metrics to consumers will be helpful reforms if implemented sensitively. Care will be needed to ensure a single customer review does not distort reported satisfaction levels for smaller developers who are building fewer homes than volume builders. House buyers will need to be encouraged to take part in a customer satisfaction regime irrespective of a positive or negative customer journey.

Options for consideration

The first of the options for consideration suggest that the Welsh Government should consider options to support the adoption of public amenities on estates currently under private management arrangements.

If the proposed reforms set out in the report recommendations are adopted and implemented, the identified shortcomings being experienced by householders subject to estate management charges should be resolved. Should this not be the case, further action may be needed to adopt public amenities currently under private management arrangements.

The remaining ten options for consideration by government included in the report mainly relate to the planning system as it operates in England, and largely overlooks the planning reforms that have been adopted in Wales. Many of the options for consideration are being progressed in Wales.

Housing targets are embedded in the planning system through the integration with the Local Housing Market Assessment (LHMA). The LHMA provides information on housing needs to local levels covering the tenure and type of dwellings and numbers required. LHMA's are seminal sources of evidence for our Local Development Plans (LDP). Monitoring of progress towards delivery of the LDP is undertaken annually through an Annual Monitoring Report.

Effective monitoring and enforcement of local plans to encourage housebuilders to bring forward successful planning applications and build new houses is in place in Wales. Welsh Government has a dedicated development plans team whose role it is to support and monitor the production of LDPs. There is full LDP coverage across Wales and this provides a firm basis for the delivery of new homes. Our national development framework also provides a context for the delivery of affordable housing and the production of Strategic Development Plans. Through the Annual Monitoring Report process, local planning authorities monitor the delivery of housing which will inform plan review.

Planning can be a necessarily complex process which has to balance societal needs with other imperatives such as climate change and nature emergencies. Development of new houses on greenfield land in particular can have permanent and long term effects on the climate change and the environment which must be taken into account and mitigated before development takes place. Whilst the planning system must work efficiently and should not be the cause of unnecessary delays, there is no getting away from the scale of the issues the planning system has to address.

Having an adopted development plan is an important pre-requisite to allow local authorities to take timely decisions. LDPs need to be underpinned by robust evidence of viability of housing sites, including detailed site viability appraisals for key sites, and are required to have a trajectory of delivery over the plan period. Whilst it is important to ensure planning arrangements are kept under review and streamlined, they must remain effective to ensure societal imperatives are achieved.

I agree that clearly defining the planning statutory consultee process is important. Statutory consultees are set out in legislation as is the determination period for planning applications. There is a clear timescale for the determination of applications and statutory consultees are required to input within these timescales. Statutory consultees usually provide critical technical inputs into the determination process and their advice is essential for local planning authorities. The issue of delays during statutory consultation

is often the product of inadequately resourced statutory consultees rather than fault in the system.

Adequately resourcing the entire planning system, including statutory consultees, is a key challenge the Welsh Government will be addressing, but it is for local planning authorities to monitor performance against the arrangements in place. I have announced plans to increase resources within the planning system based on independent research presented to me. My intention is to implement an uplift in planning fees and a strategy to achieve full cost recovery for local authorities over a prescribed period. These fees will be retained for the exclusive purpose of providing planning services.

The requirements for outline planning applications are onerous because local planning authorities (LPA) need to fully understand the impacts of the proposed development. Work provided at the outline stage will not then need to be repeated at the reserved matters stage. The question arises where in the process the detailed considerations take place. If they are at the outline stage, the work will need not be undertaken later in the process.

I recognize the smaller and medium size housebuilding sector has been severely squeezed since the recession of 2008 and they now represent a diminishing part of the housebuilding output in Wales. Unlike volume house builders, smaller developers often lack the necessary resources and skills to engage effectively in the planning process. Their engagement in the plan making process is often negligible.

Nevertheless, Planning Policy Wales (PPW) requires LPAs to keep a list of small sites which might be attractive to the small and medium size developer sector. Furthermore, PPW suggests that LPAs consider breaking up large housing allocations into smaller lots which may prove to be more attractive offers to smaller developers. Additionally, further work has been undertaken in Wales to promote the custom and self-build sector to help diversify housing supply.

Finally, you have suggested LPAs could require greater diversity of housing tenure and housing type for larger sites and increase the number of homes that are delivered through smaller sites. In principle, I agree with these points.

The required housing tenure should be obtained as one of the outputs of the LHMA. This should then inform LDP policies and there is a legal requirement to determine planning applications in accordance with the development plan unless material circumstances indicate otherwise. As stated above, PPW already supports the subdivision of larger sites to allow greater choice, increase build out rates and allow the SME sector to compete with the volume housebuilders.

Smaller sites are often brownfield within urban areas. There are often constraints on development, such as the need for land remediation which impacts on the viability of any proposed development. Welsh Ministers are keen to develop fiscal tools to disincentivise retention of sites allocated for housing such as through the introduction of a vacant site levy.

Your report suggests that housebuilders build to meet demand and not need. Their business model is predicated upon local absorption rates to ensure profits remain high. It is the role of the planning system to address this by setting clear policies about the type of housing to be delivered. I am therefore keen develop further initiatives that seek to increase housebuilding based on need and not the maximization of profits for housebuilders.

Yours sincerely

A handwritten signature in blue ink that reads "Julie James". The signature is written in a cursive, flowing style.

Julie James AS/MS

Y Gweinidog Newid Hinsawdd

Cabinet Secretary Housing, Local Government and Planning