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Llywodraeth Cymru
Welsh Government

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Christine Chapman AM
Chair
Communities, Equality and Local Government Committee
National Assembly for Wales

22 January 2014

Dear Christine

Thank you for your letter of 3 December providing the Committee's comments and recommendations following its inquiry into the barriers to home building in Wales.

I am grateful to the Committee for undertaking this inquiry – as I have made consistently clear, my main priority is to see more homes built because such investment generates jobs and growth and can provide a circumstance that helps people out of poverty. It also complements the review undertaken by the Housing Supply Task Force that I set up during the summer and which will report shortly.

My (attached) response to the Committee's recommendations therefore touches upon aspects of the Task Force's remit and I will be responding further to it in due course. I am also currently consulting on the Draft Planning (Wales) Bill and proposals to modernise the planning system in Wales which will heavily influence how we enable appropriate development of homes in the future.

As recent figures have indicated, we are well on target to achieve our target of 7,500 affordable homes during this administration (and to bring 5,000 empty homes back into use), but I want to do more. I want to exceed our target for affordable homes but I also want the private sector to build more homes.

I look forward to continuing to work closely with the Committee on these matters.

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CELG Committee - Inquiry into Barriers to home building in Wales
Welsh Government response – Minister for Housing & Regeneration

1)..... merit in looking afresh at the current type of housing being built in Wales, how it could be improved and the criteria for this. **We believe you should consider setting up a Task Group for this purpose, which could develop guidelines for both affordable housing and the private sector to ensure that future housing in Wales is built to an appropriately high standard.**

Accept in Principle:

I agree that we need to look at alternative building types in Wales. There are already examples in use in Wales that we can learn from and are more common elsewhere in Europe.

My officials are already exploring options around this in conjunction with the Design Commission for Wales. There is also work underway on the use of Welsh timber that will be considered. I'm not against setting up a Task Group but I will be in better position to decide whether this is necessary in the light of the aforementioned expected advice and the understanding I get of the operation of the market coming out of the Housing Supply Task Force Report.

Financial Implications: None currently. If a Task Group was necessary it could be accommodated through existing Departmental Running Costs (DRCs).

2)..... establish why developers appear to be reluctant to develop in less affluent areas. On this basis, **we believe you should undertake a comprehensive analysis to identify why some areas of Wales have historically proved unattractive for development, and where those areas are.** This would enable Welsh Government support to be focused on encouraging development.

Accept in Principle:

I commissioned the Housing Supply Task Force to provide further advice on the nature of the new build market in Wales and the factors that affect development. In considering, and responding to, the findings of the Task Force I will want to develop a detailed and up to date economic analysis. The nature of this work will however be influenced by my response to the Task Force report in due course. We will also need to develop our spatial understanding of the issues to implement the proposals contained in '*Positive Planning*', this will need to be done in conjunction with Local Planning Authorities.

Financial Implications: None

3) Regulatory burden.....continue to maintain regular dialogue with all sections of the industry. However, we feel that the steps taken by you address many of the primary concerns of the industry and **we want you to continue to maintain the high standards that are essential to deliver a high quality, safe and sustainable housing supply across Wales.** An issue of particular concern was that Building Regulations and the Community Infrastructure Levy cannot be negotiated on a site by site basis to take account of particular local issues such as local land values or the costs associated with redeveloping brownfield sites.

Accept in Principle:

My commitment to high standards is clear. We gain little from developing low standard homes which are unsustainable in economic, social or environmental terms. However, standards represent a cost for development and it is important that our expectations deliver something of real value to people. I will continue to use regulation to drive forward our policy agenda but I will want to ensure that standards justify themselves against this test.

Building Regulations, are established through legislation and are applicable to all appropriate forms of development, so they cannot be locally negotiated. Developers / agents will take account of all known / emerging costs when purchasing land and these costs should be reflected in the price paid. Welsh Government decision on standards will continue to be informed by full consideration of any associated costs.

The Community Infrastructure Levy (CIL) is non-devolved; its operation is set out in the CIL Regulations 2010 (as amended). The CIL charge is voluntary, set by the local planning authority based on financial viability and tested through a public examination. All interested parties can make their views known as to the appropriateness of the charge. The independent examiner will take all views into account and reflect them accordingly in their report. A CIL charge should not make development financially unviable, hindering it from coming forward. Any CIL charge set should reflect all known costs. When purchasing land a developer / agent should again take a CIL charge into account, if relevant, and this should be reflected in the price paid for the land.

Financial Implications: No direct implications for Welsh Government. However, higher standards have implications for the level of delivery that can be achieved from market housing.

4) RSLs..... some flexibility in the design of homes that would allow for innovation without being overly prescriptive and, most importantly, without lowering standards. **We believe you should continue to maintain high standards in social housing, and continue to work with the sector to identify opportunities to increase the rate of development of additional affordable housing.**

Accept:

I welcome the Committee's views on the need to maintain high standards. The Housing White Paper in 2012 recognises the importance of the quality of people's homes to their lives and their neighbourhoods. This is particularly true if you are poor or have other pressures in your life.

I also agree about the need for a flexible approach. A review of the Welsh Government's Development Quality Requirements (DQR) - the Standard that social landlords need to use when building homes through the Social Housing Grant – started in August 2013, and I am expecting a report and recommendations from them in May 2014. The Review Group has wide representation from across the sector including the Home Builders Federation, Welsh Tenants, the Design Commission for Wales, the Police, the NSPCC and RSLs. This is looking at whether the Standard which was developed in 1998 is still fit for purpose and whether it could be improved. The challenge I have posed to the review is to justify the requirements against the test of delivering real value for people, this is the best way to ensure the right balance is achieved between standards and the numbers of new homes built. The group will be looking at the relevant evidence in reaching their conclusions.

Financial Implications: No immediate implications over and above those already being committed through the DQR Review. There are longer term implications for the delivery from capital grant programmes resulting from impact on build costs.

5)....concerns from smaller developers that they were at a disadvantage because the LDP process favoured larger volume home builders and only larger sites were identified in LDPs. **We urge the Welsh Government to ensure that there is an appropriate balance between the need to redevelop brownfield sites, where development costs are often higher because of remediation costs, and the justifiable need for sustainable and affordable development in rural communities.**

Accept:

It is the responsibility of each local planning authority to identify the allocations within their Local Development Plan (LDP). Authorities should be alive to the need to support opportunities for small scale local development as part of this process. All LDPs have to identify the appropriate scale of land, in the relevant locations, to address the evidence. The precise nature of the allocations, be they brownfield or greenfield, is for the authority to determine and justify in relation to the evidence underpinning the plan. National policy, as set out in *Planning Policy Wales*, identifies the importance of brownfield land, although recognises that an appropriate mix of land is necessary to satisfy local circumstances. The factors determining allocations will include an assessment of constraints, delivery against the evidence base,

sustainability principles and financial viability. This will all form part of the supporting evidence base and be tested through the public examination, led by an independently appointed Inspector.

The level of housing requirements that need to be met across Wales means that the volume house-builders will continue to have a significant role to play. However, as mentioned above, local planning authorities should ensure that they identify a variety of sites. As part of this process authorities should address the scope and potential for rehabilitation, conversion, clearance and redevelopment and can also make use of exception sites to provide affordable housing; these sites often provide opportunities for smaller builders. In determining individual planning applications local planning authorities must not take into account the identity of the applicant.

Financial Implications: None.

6)we believe you should consider the potential for the forthcoming Planning Reform Bill to address some of these issues. We see the Bill as an opportunity to streamline the planning process, reduce delays within the planning system and facilitate the delivery of more homes.

Accept:

The draft Planning (Wales) Bill and consultation paper '*Positive Planning*' were published on 4th December 2013. Many of the proposals are intended to streamline the planning process, reduce delays within the planning system and facilitate the delivery of more homes. Key proposals include the introduction of Strategic Development Plans to address issues of more than local importance, such as future housing supply, and front loading the planning application process for the largest planning applications. Front loading the planning application process will allow the community to be consulted early on development proposals and discussions to take place between the applicant, local planning authority and statutory consultees. This will allow the quality of planning applications to be improved and community concerns to be addressed. The result should be faster and more consistent planning decisions.

Financial Implications: The consultation paper has identified some initial areas where financial implications may arise. A full Regulatory Impact Assessment will accompany the Bill at introduction.

7) We urge you to confirm that national planning policy should support realistic Section 106 contributions which are appropriate to the economic conditions, and that these should not threaten development viability or community sustainability.

Accept:

I agree entirely that Section 106 agreements should optimise the public contribution of development without undermining viability. As has been said many times, 50% of nothing is still nothing. The Housing Supply Task Force was commissioned to advise on the factors affecting this balance and the flexibility required. In considering the report as well as responses to *'Positive Planning'* I will wish to emphasise a realistic balance.

We have published guidance for local authorities on taking a realistic view of the contributions that can be sought from developers under section 106 agreements (*Delivering affordable housing using section 106 agreements: Practice Guidance*, July 2008 and update, September 2009). This guidance sets out how local authorities can use the planning process to facilitate and bring forward development, whilst ensuring that they continue to deliver the maximum possible amount of affordable housing. The guidance also covers the renegotiation of section 106 agreements to address viability issues. In addition, the Planning Officers' Society Wales are organising a 2-day training course for local authorities on viability appraisals and negotiating section 106 agreements. The course is due to take place at the end of January, funded by the Welsh Government

Financial Implications: None for Welsh Government.

8) We believe you should review the effectiveness of TAN 6 (Planning for Sustainable Rural Communities), and in particular whether it is presenting an insurmountable obstacle to sustainable and affordable development in rural communities.

Accept in Principle:

Technical Advice Note (TAN) 6 Planning for Sustainable Rural Communities encourages planning authorities to adopt a positive enabling approach to development in rural areas, particularly where it would improve the sustainability of the local community and economy. In terms of rural housing development, local planning authorities should identify sufficient land to meet the needs of both market and affordable homes. Guidance on local housing needs for market housing is set out in Planning Policy Wales. The Welsh Government's planning policies in respect of affordable housing are set out in Planning Policy Wales (PPW) and TAN 2 Planning and Affordable Housing. PPW and TAN 6 encourage local planning authorities to give priority to affordable housing in rural areas where need is identified. TAN 6 provides additional affordable housing guidance on working with local communities and housing enablers to identify appropriate affordable housing sites, and adopting a wide ranging approach to affordable housing delivery involving community land trusts, private landlords and unsubsidised development. Local planning authorities should set targets for the provision of affordable housing in their

development plans and should supplement this approach with an affordable housing exception site policy.

The TAN provides specific advice on Rural Enterprise Dwellings which are designed to provide greater flexibility and scope for rural enterprise workers to live at or near their place or work. To ensure Rural Enterprise Dwellings continue to meet the need they were intended for, TAN 6 sets out occupancy conditions restricting their future use to eligible rural workers. Where there are no suitable rural workers, eligible occupiers should meet affordable housing criteria; in this way TAN 6 can contribute to meeting need for affordable housing in rural areas. Information about Rural Enterprise Dwelling planning applications has been monitored on an annual basis since 2010. It is too soon to form an accurate assessment of the policy's impact.

One Planet Development (OPD) policy, which is supported by Technical Advice Note 6 (2010) and the One Planet Development Practice Guide (2012), is a clear indication of the Welsh Government's intent to provide opportunities for exemplar sustainable development in the countryside where new development is strictly controlled and requires special justification. The strict controls on development in the countryside mean that the requirements of OPD, which are mainly located in the open countryside, are rightly very challenging. It is for local planning authorities to determine OPD applications and they should be satisfied that any evidence presented in support of a proposal is both comprehensive and robust. Whilst the Welsh Government does not collect information about planning applications for OPD at the present time it is proposed to add this to the requirements of the Rural Enterprise Dwelling monitoring exercise which collects data in May each year.

Financial Implications: None.

9) We believe you should continue to support the delivery of affordable housing through innovative funding mechanisms.

Accept.

The Welsh Government is committed to developing innovative housing funding solutions. We have already launched a new way of funding affordable housing through the introduction of a revenue based Housing Finance Grant. This will deliver over a 1,000 new affordable homes in the next two years. We are working closely with the housing sector to understand innovative funding models. We must take a balanced approach to this work as we would not want to promote innovative funding to such an extent that it undermines the financial viability of the registered social landlords.

Financial Implications: No immediate implications

10) We welcome your commitment for a council house building programme following the abolition of the Housing Revenue Account Subsidy System in Wales. We note your predecessor's statement, setting a target of 7,500 additional affordable homes by the end of the current Assembly. However, **we believe you should set a more ambitious target for the number of affordable homes to be delivered in each local authority area as soon as possible.**

Accept in Principle:

As you will know, recent data demonstrates that we are ahead of schedule in meeting the target of providing 7,500 additional affordable homes in Wales, showing 4,474 affordable homes have already been delivered - 60 percent of the overall target. In the context of the UK Government cuts and welfare reform hitting the people of Wales hard, it is imperative that we continue our good work and provide more good quality, safe and affordable homes. I have already made it clear that I am determined to do more

I have also asked Community Housing Cymru to provide more detail on the rationale behind their call to increase the target to 10,000 affordable homes. I intend to use their response to inform my consideration of the scope to stretch this target further.

Financial Implications: Affordable housing delivered with the support of social housing grant and other forms of capital funding support will need to be considered as well as capacity for housing associations to match finance or self fund.

11) We heard a substantial amount of evidence that was critical of the role utility companies, in particular Welsh Water, played in both the planning and home building process. We share the concerns of witnesses that both the costs and delays associated with connecting new homes to mains utility and sewerage networks hinders development and places a particular burden on small and medium sized developers. We would like to see improved working between developers and utility providers that is neither unduly complicated nor protracted and only imposes reasonable costs that reflect the cost of the providing the connection. Furthermore, we would also like to see utility providers using LDPs to inform the on-going maintenance programmes, upgrading and extensions of their networks. **We were encouraged by evidence from the RSL sector that dialogue between the sectors was improving, and we believe the Welsh Government should take a strategic lead in facilitating further positive dialogue.**

Accept:

I am keen to see Welsh Water and other utility companies support development with appropriate infrastructure investment. I will take this matter forward with my Ministerial colleagues.

Financial Implications: None.

12) We welcome the Prime Minister’s announcement that Stamp Duty Land Tax (SDLT) will be devolved. This issue was raised by a number of witnesses who felt it distorted the market and had a negative impact on home building because of its “slab” approach. We urge the Welsh Government to take full advantage of this development.

Accept in Principle:

We are committed to ensuring that the arrangements for devolving Stamp Duty Land Tax are developed in conjunction with the construction industry. My aim will be to ensure that we harness this opportunity to maximise home building, whilst securing an appropriate revenue base for Welsh Government.

Financial Implications: There are significant financial implications of the various options for Stamp Duty Land Tax. These will be advised on separately

13) We would be grateful if you would update us on the actions being taken by the Welsh Government to promote self-build.

Accept:

I have asked my officials for advice on what more we might do as a government to promote self- build. I believe that self-build needs to play its part, where it can, in delivering more homes and meeting housing need. I want this to form part of a wider commitment towards innovation in housing supply. I expect to have more to announce on this in due course.

Financial Implications: We would expect there to be limited financial implications should it be decided to launch an initiative in this area.