



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cymunedau, Cydraddoldeb a
Llywodraeth Leol
The Communities, Equality and Local Government
Committee**

**Dydd Iau, 11 Gorffennaf 2013
Thursday, 11 July 2013**

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Remainder of the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Leighton Andrews	Llafur Labour
Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Janet Finch-Saunders	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Mark Isherwood	Ceidwadwyr Cymreig Welsh Conservatives
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales
Lindsay Whittle	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Paul Bogle	Rheolwr Polisi, Ffederasiwn Cenedlaethol yr Adeiladwyr, Cymru, Cyf Policy Manager, National Federation of Builders Wales Ltd
Ian Davies	Rheolwr Gyfarwyddwr, Fforest Timber Engineering Ltd Managing Director, Fforest Timber Engineering Ltd
Rhys Davies	Cyfreithiwr, Gwasanaethau Cyfreithiol, Llywodraeth Cymru Lawyer, Legal Services, Welsh Government
Keith Edwards	Cyfarwyddwr, Sefydliad Tai Siartredig Cymru Director, Chartered Institute of Housing Cymru
Lesley Griffiths	Aelod Cynulliad, Llafur (y Gweinidog Llywodraeth Leol a Busnes y Llywodraeth) Assembly Member, Labour (Minister for Local Government and Government Business)
Richard Jenkins	Cyfarwyddwr, Ffederasiwn y Meistr Adeiladwyr, Cymru Director, Federation of Master Builders Wales
Julie Nicholas	Rheolwr Polisi a Chysylltiadau Cyhoeddus, Sefydliad Tai Siartredig Cymru Policy and Public Affairs Manager, Chartered Institute of Housing Cymru
Richard Price	Cynghorydd Cynllunio a Pholisi Cymru, Ffederasiwn yr Adeiladwyr Cartrefi Planning and Policy Advisor Wales, The Home Builders Federation
Wyn Pryce	Cyfarwyddwr, INTEGRA Director, INTEGRA
Claire Rooks	Rheolwr Polisi, Y Tîm Troseddu a Chyfiawnder, Llywodraeth Cymru

Policy Manager, Crime and Justice Team, Welsh Government

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Sarah Bartlett	Dirprwy Glerc Deputy Clerk
Jonathan Baxter	Gwasanaeth Ymchwil Research Service
Marc Wyn Jones	Clerc Clerk
Matthew Richards	Cynghorydd Cyfreithiol Legal Adviser

Dechreuodd y cyfarfod am 9.16 a.m.
The meeting began at 9.16 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Christine Chapman:** Bore da, and welcome to the Assembly's Communities, Equality and Local Government Committee. I remind Members that, if they have any BlackBerrys or mobile phones, they should be switched off. We have no apologies today, but I formally welcome Leighton Andrews to the committee as our new member; a warm welcome to you, Leighton.

**Memorandwm Cydsyniad Deddfwriaethol ar gyfer Darpariaethau sy'n
 ymwneud â Gwaharddebau i Atal Niwsans ac Atal Tarfu ar Bersonau,
 Gorchmynion Ymddygiad Troseddol a'r Trothwy Cymunedol**
**Legislative Consent Memorandum for Provisions Relating to Injunctions to
 Prevent Nuisance and Annoyance, Criminal Behaviour Orders and the
 Community Trigger**

[2] **Christine Chapman:** We will be taking evidence today from our Minister for Local Government and Government Business, Lesley Griffiths. Welcome, Minister. You have some officials here with you today. I welcome Rhys Davies of the community safety division and Claire Rooks, policy manager of the crime and justice team. If you are happy, Minister, we will move straight on to questions on this issue. I will start off.

[3] Could you explain how the provisions in the Bill relating to anti-social behaviour are within the competence of the Assembly and why the consent of the Assembly is sought in this instance—particularly as the UK Government does not believe it to be within the Assembly's competence?

[4] **The Minister for Local Government and Government Business (Lesley Griffiths):** The Bill is cross-cutting, and there are several elements of the Bill relating to anti-social behaviour that relate to matters within the legislative competence of the Assembly, such as health, housing and environmental protection. As was also set out in the UK Government's evidence to the Silk commission, it considers the exception of anti-social behaviour orders, contained under the local government heading in paragraph 12 of Schedule 7 to the Government of Wales Act 2006, to cover anti-social behaviour generally. It therefore considers the provisions of Part 1 and Part 2 to be outside the legislative competence of the Assembly. However, we consider the exception to be limited to the Orders under the Crime and Disorder Act 1998. Therefore, many of the provisions in Part 1 and Part 2 of the Bill do

not fall within that exception. I have just given you some examples of that.

[5] I already provide funding to local authorities to help them to tackle elements of anti-social behaviour. Obviously, the safety of our communities is very important. For example, the youth crime prevention fund provides around £5 million, supporting projects aimed at diverting young people away from crime and anti-social behaviour in the first place, which is what we want to do.

[6] **Christine Chapman:** Why did the Welsh Government not bring forward its own Bill to deal with these provisions?

[7] **Lesley Griffiths:** It is important that we protect our devolved interests in this area. If we want to legislate in the future, it is important that we do that now. I just mentioned some aspects of community safety from my portfolio; we are very interested in all elements of that work. We feel that it is appropriate to deal with these provisions in the UK Bill, as this represents the most appropriate way of bringing this legislation forward.

[8] **Jenny Rathbone:** How do you think this decluttering of the legislation landscape will either assist with, or get in the way of, improving actions that the Government or local authorities can take—

[9] **Lesley Griffiths:** Sorry, I missed the beginning of your question.

[10] **Jenny Rathbone:** With the decluttering intended in this legislation into six areas, how do you think that that will assist Government and local authorities in tackling it?

[11] **Lesley Griffiths:** We hope that it will assist. It puts victims first, and it is very important that we do that. It gives them different schemes that they can bring forward and which they can trigger. We can perhaps talk about the community trigger later on, but they can bring that forward.

[12] I think that we do a great deal of good work. We have some fantastic projects, and not just in the fund I mentioned. For instance, last week, I visited the South Wales Fire and Rescue Authority, and there is a scheme called the Phoenix scheme, which deals with young people who have not necessarily committed arson, for instance, but are perhaps on the verge of committing it, if you know what I mean. They do fantastic work with young people there. There were eight young people, some as young as 12, working on the scheme. So, I think that it will dovetail with what we are doing. Community safety is very important—if you think about it, top of our programme for government is the provision of an additional 500 community support officers. So, I think that the work will come together.

[13] **Jenny Rathbone:** One of the things that I have not seen as much as I would have liked is action being taken against people who dump rubbish in their front garden—you know, they cannot be bothered to arrange for it to be taken to the dump. I noticed that litter clearing notices and street litter, et cetera, are included in this. I wondered whether this gives local authorities more powers to ensure that people clear it up themselves, or else the local authority does it and sends them the bill.

[14] **Lesley Griffiths:** I think that that is in—I am looking at the lawyer—LCM 2 under this Bill.

[15] **Mr Rh. Davies:** Those kinds of provisions are found in Part 4 of the Bill. You could perhaps be referring to notices that could be issued to prevent nuisance or annoyance under that Part, and which can be served on a person who, for example, has been littering or leaving rubbish outside their house. However, I think that Part 1 of the Bill could be used for

examples of that kind of behaviour, if they reach the threshold set out in Part 1 of the Bill, which, again, is to do with causing nuisance or annoyance to any person.

[16] **Jenny Rathbone:** The issue is the ability of a local authority to issue someone with a notice to clear it up and, if they do not do it, to send them the bill for doing it for them.

[17] **Mike Hedges:** Surely, the difficulty is that my neighbour's nuisance is my antique lawnmower. The difficulty has always been—you can tell me if the Bill puts it right—that if people store things in their garden, or if they let the grass grow three feet high, it has always been treated as a lifestyle choice, and not as an offence. Are we saying that, under this, this would now become an offence? Also, I assume that we have to wait for a court to decide whether my one lawnmower is a nuisance, or whether my next-door neighbour's 47 lawnmowers are a nuisance, or what in between them is a nuisance.

[18] **Mr Rh. Davies:** Do you want me to answer that, Minister?

[19] **Lesley Griffiths:** Please do.

[20] **Rhodri Glyn Thomas:** Go on, answer that, Minister. [*Laughter.*]

[21] **Janet Finch-Saunders:** Chair, if I may just come in, that provision exists now—

[22] **Jenny Rathbone:** Excuse me, but—[*Inaudible.*]

[23] **Christine Chapman:** Hang on, may I just suggest that this is not actually part of this particular LCM? It is a really relevant discussion, but, for this one, I think that we need to confine it, you know, because there are some—

[24] **Janet Finch-Saunders:** [*Inaudible.*]

[25] **Christine Chapman:** Yes. This is actually part of another one, so we will carry on.

[26] **Lindsay Whittle:** The Bill will reform the toolkit of remedies for anti-social behaviour, and we have a different approach in Wales to that taken in England. As you know, we use ASBOs as a last resort, because we do not want to label our children with this particular title. In what ways does the new system embody the key features of the Welsh Government's approach to children?

[27] **Lesley Griffiths:** We would expect any Welsh children to be dealt with in a way that respects their rights. I think that, in Wales, we have really led the way. Think about the way in which we have adopted the United Nations Convention on the Rights of the Child as a basis for all our policy making. I do not want to see children criminalised. I think that we have done a huge amount of work. The number of Welsh children in custody has been halved in the last five years. I met this week with the chair of the youth justice board. It was very pleasing to hear of the drop. However, 50 is still too many.

[28] I think that, with the way that this Bill will work, it is very important that we protect the victim, but, as you said, it is very important that we look at it from a children's perspective. I want to make sure that their rights are defended. Our views have been taken into consideration as this policy has been developed. It is not, obviously, a Welsh Government policy. I have already asked my officials to write to the Home Secretary to ask what consultation took place with children and young people, because I think that it is very important, as this Bill has been progressed, that their views have been taken into account. I am happy, Chair, to share the correspondence with the committee when I receive a response.

[29] **Lindsay Whittle:** I think that that would be extremely interesting. We are often told that we do not listen to young people enough and, on this issue, I think that it is important that we take their views into account. I am really pleased that you have written to the Minister in London, whoever that is.

[30] **Lesley Griffiths:** The Home Secretary.

[31] **Lindsay Whittle:** The Home Secretary, is it? God bless her.

[32] **Lesley Griffiths:** As I said, I have asked my officials to do it, but I think that the issue around listening to children is really important. I recently visited Hillside secure home and the youth custody section of Parc prison, and talked to the young people there. There was one girl in particular whom you could see felt that there—this is Hillside—she had got the support that she had yearned for for a long time. She had been in several children's homes. You want to stop them going into custody, but once they are there, it is really important that we give them the right support, and I certainly learned a lot from listening to that young person.

[33] **Lindsay Whittle:** It sounds really interesting. What a shame that you had to go there to listen to her views and, as you said, that you could not have stepped in a little earlier, but that is clearly not your fault, obviously.

[34] **Mark Isherwood:** Our predecessor committee in the last Assembly did a report on the youth justice estate, and we visited Hillside and almost every other institution on both sides of the border where young offenders from Wales had been kept in custody or incarcerated. Those points did come out very strongly then. I would commend both Government and the committee to consider the findings of that report, which addressed these points and gave the young people a voice, making that very point.

[35] However, more broadly, the anti-social behaviour legislation that currently exists is primary UK legislation, but still, the key agencies in Wales were able to interpret it as they felt was more appropriate. Nothing would change in respect of this legislation; the same freedoms would exist.

[36] **Christine Chapman:** Was there a question there, Mark?

[37] **Mark Isherwood:** That was the question.

[38] **Lesley Griffiths:** Are you asking whether it would stay the same?

[39] **Mark Isherwood:** In the sense that, although the primary legislation applied to ASBOs was UK legislation, under the devolution settlement, Wales was able to interpret that in its own way and, in reference to the point previously made by Lindsay, that would not change; although the tools will change, the interpretation of those tools remains here.

[40] **Lesley Griffiths:** Yes, I thought that I had answered that.

[41] **Mark Isherwood:** I wanted that on the record, because a theme is developing.

[42] **Jenny Rathbone:** Children in youth custody is at the extreme end of the problems that young people face, and I wondered where this legislation sits in terms of the right of the young person to play outside versus the rights of the neighbour who objects to the noise of people laughing and playing.

[43] **Lesley Griffiths:** That is the interpretation, is it not? It is a very broad term—'anti-

social behaviour'. What is anti-social behaviour to one person would not be anti-social behaviour to another. What this LCM is bringing forward from the Bill is different mechanisms for people, if they are victims, to take the issue forward.

[44] **Jenny Rathbone:** So, the adjudicator is going to be the local authority or the police.

[45] **Lesley Griffiths:** It depends on which one we are looking at. If we are looking at—

[46] **Jenny Rathbone:** I am sticking with children for the time being.

[47] **Lesley Griffiths:** I am sorry, no—you were talking about who was going to be the adjudicator. If you are looking at community triggers, it is three strikes and you are out. I think that three would be the top one, but that is the same for children and for adults.

9.30 a.m.

[48] **Jenny Rathbone:** Very good. So, could you tell us whether this new UK legislation is in any way affecting policy development in the Welsh Government? Has it had any influence on your Government's policies?

[49] **Lesley Griffiths:** No, I would not say so. Obviously, I am only three months into the portfolio, but I would not say that it has had any effect on policy. What we are looking at is what I said in answer to the original question, in terms of whether we want to have legislation in this area in the long term. There was a Green Paper, prior to my taking up the portfolio, regarding whether we are going to have a Bill on youth justice. I have not made a decision yet, but I am looking at that. Clearly, we can look at this issue alongside that one.

[50] It is a very cross-cutting Bill, as I have said. Some of the Bill's proposals do come into devolved areas, so it is important that we look at it very closely.

[51] **Jenny Rathbone:** A specific area would be hate crime, such as some of the unfortunate incidents that have occurred, certainly in my constituency, on the back of events in south London. Is this a framework for taking further action, or do we already have the powers to take rigorous action against people who commit offences against people of a particular religion or ethnicity?

[52] **Lesley Griffiths:** I will bring the lawyer in in a minute. I suppose the community trigger could be one way that we have not had before. As I say, it is three strikes—if that is the threshold that local authorities set, I suppose we could look at that. I do not have anything specific on hate crimes.

[53] **Mr Rh. Davies:** Essentially, the Bill sets out the thresholds that must be met before any of the relevant authorities, such as local authorities or the police, may issue an injunction or make an application for an injunction. Therefore, if the threshold is met, regardless of its area, an injunction may be issued. Again, the threshold goes back to causing nuisance and annoyance. Similarly, with a criminal behaviour order, the threshold is slightly higher, in that it requires some form of alarm or distress or harassment. What you are thinking of may fall within that power.

[54] **Lesley Griffiths:** I personally would not call hate crime anti-social behaviour.

[55] **Jenny Rathbone:** Fair enough, but you can see that there are different degrees.

[56] **Lesley Griffiths:** That is the thing; anti-social behaviour is such a broad term.

[57] **Rhodri Glyn Thomas:** Weinidog, o edrych ar bolisiau a strategaethau Llywodraeth Cymru yn y cyd-destun hwn, roeddwn yn falch iawn o glywed eich sylwadau chi ynglŷn â pharchu hawliau plant a phobl ifanc, oherwydd, yn sylfaenol, os yw plant a phobl ifanc yn teimlo nad yw'r gymuned yn gosod unrhyw werth ar eu bodolaeth, nid ydynt yn mynd i deimlo dim cyfrifoldeb tuag at y gymuned, ac mae hynny, yn naturiol, yn mynd i arwain at weithgaredd gwrthgymdeithasol. Pa bolisiau a strategaethau sydd gan Lywodraeth Cymru mewn partneriaeth â'r heddlu neu unrhyw un arall i geisio atal plant a phobl ifanc rhag cael eu harwain i mewn i weithgareddau gwrthgymdeithasol?

Rhodri Glyn Thomas: Minister, looking at the policies and strategies of the Welsh Government in this context, I was pleased to hear your comments about respecting the rights of children and young people, because, fundamentally, if children and young people feel that the community does not place any value on their existence, they are not going to take any responsibility towards the community, and that, naturally, will lead to anti-social behaviour. What policies and strategies does the Welsh Government have in partnership with the police or anyone else to try to prevent children and young people from being drawn into anti-social behaviour?

[58] **Lesley Griffiths:** I mentioned the Phoenix scheme that I visited last Thursday. It is schemes like that, within the youth crime prevention fund. It is really important that if we can divert young people away from criminal activity at all, we reap the benefits of this so much. We have projects such as restorative alternatives to charging. I mentioned that we have seen a significant reduction in the number of young people in custody—we have got it down to 50; it was well over 100 five years ago. Also, we now have local authorities working on the regional footprint, so they are collaborating. We have seen some excellent schemes in community safety partnerships. I think that it is really important that youth offending teams share good practice, and that is something that I am encouraging. I would hope that all those things would happen first, at all times.

[59] I come back to the fire authority example. I do not know whether anybody here has seen the Phoenix scheme, but it does a five-day course where young people are taught; they are even allowed to use hoses and do things that, if we went there on a visit, we would not be allowed to do. The discipline and respect that those young people showed was incredible. I commented on this on the Thursday and they said, 'Yeah, but if you'd have come here on Monday and asked the young people what they got from it, you would have been told where to go in no uncertain terms.' So, the more we can work with young people and, as you say, show them that they are valued and that their views are respected, the better it will be. I think we are doing that. The 500 additional community support officers—as I say, that is a top line in our programme for government—work alongside. By September, we should have recruited all 500. I have been out on the beat with some of them, and, again, it is about making sure that those people—. Obviously, it is up to police authorities where they deploy them, but, if you can put them in local communities and really build up a rapport, I think we will reap the benefits.

[60] **Rhodri Glyn Thomas:** Rwy'n credu bod llinell denau iawn yn hyn o beth. Mae gweithgareddau troseddol yn un peth, ond, pan fyddwn yn sôn am weithgareddau gwrthgymdeithasol, mae rhai pethau a oedd yn cael eu gweld fel ymddygiad naturiol pan oeddwn i'n ifanc bellach yn cael eu gweld fel gweithgaredd gwrthgymdeithasol.

Rhodri Glyn Thomas: I believe that there is a very fine line here. Criminal activities are one thing, but, when we are talking about anti-social activities, some things that were perceived to be natural behaviour when I was younger are now seen as anti-social behaviour.

[61] **Leighton Andrews:** [*Inaudible.*]

[62] **Rhodri Glyn Thomas:** ‘Rhai pethau’ ddywedais i, Leighton. [*Chwerthin.*] Hynny yw, mae pobl ifanc yn ymgynnull gyda’i gilydd erbyn hyn yn cael ei weld fel rhyw fath o fygythiad i gymdeithas; roedd hynny’n beth naturiol pan oeddwn i’n blentyn. Beth mae’r Llywodraeth yn ei wneud i sicrhau nad yw plant a phobl ifanc yn teimlo bod cymdeithas yn eu demoneiddio rhyw ffordd ac yn eu gweld fel bygythiad parhaus?

Rhodri Glyn Thomas: ‘Some things’ I said, Leighton. [*Laughter.*] That is, young people gathering together are now seen as some sort of threat to society; that was a natural thing when I was a child. What is the Government doing to ensure that children and young people do not feel that society is demonising them in some way and perceiving them as a constant threat?

[63] **Lesley Griffiths:** I appreciate what you are saying; we have all done things that would probably be deemed low-level anti-social behaviour—

[64] **Leighton Andrews:** Would you like to elaborate?

[65] **Lesley Griffiths:** No. [*Laughter.*] I am sure we all have. You see children knocking on windows; my mother is always telling me about children knocking on her windows and how annoying it is and I just say nothing. However, it is about the level, is it not? I am sure we have all had people come into our surgeries who complain about such things; everybody has the right to feel secure and safe in their own home and that is really important. Just as much as we must not criminalise children, it is really important that victims feel supported as well. I have mentioned a few of the schemes that we have to help children and young people to not become criminals, and we are doing a great deal of work. I am visiting Triage in Cardiff next Monday, which is an activity programme that focuses on restorative justice. We have the Swansea Bureau, which gives young people an opportunity, if they have offended at a low level, to resolve that behaviour without getting a criminal record. It is so important to stop that from happening.

[66] **Christine Chapman:** Time is very short for this and we have quite a technical agenda to look at today. There are some very important areas that I do not want to miss out, so can we try to not go into the more general areas of this, because that will be for another day? I will move on now and ask Janet to come in.

[67] **Janet Finch-Saunders:** Thank you, Chair. What conversations took place between the UK Government and the Welsh Government prior to the Bill’s introduction, and did the Welsh Government actively seek certain provisions?

[68] **Lesley Griffiths:** Obviously, my officials have engaged with Home Office officials right from the beginning of the process. There was some ministerial involvement, too; I have not had any ministerial involvement, but my predecessor, Carl Sargeant, corresponded with the Home Secretary last year, so that they could talk about the progress of the Bill and how that would go forward.

[69] **Janet Finch-Saunders:** Have you sought certain provisions that we can identify?

[70] **Lesley Griffiths:** Not certain provisions, although I will ask officials if that was the case, but I know that they have made sure that Welsh interests are protected.

[71] **Ms Rooks:** Yes. We have, as the Minister said, from day one, been involved with our counterparts in the Home Office. So, we have been making sure from day one that Wales’s interests were represented. There was one—Rhys may be able to confirm this, but Natural Resources Wales is a particular Welsh body that had not previously been included in the Bill. So, we made sure that it was in there to cover the Welsh environmental angles. We have not

sought any specific provisions for Wales in the Bill, but we have ensured that Welsh interests are covered.

[72] **Leighton Andrews:** Aside from community triggers, are there other aspects of the UK Bill that could impact on your Green Paper on youth offenders? Is the Bill likely to have an impact on the timescale for your own proposals?

[73] **Lesley Griffiths:** It will not have an impact. As I said, I am considering, following the Green Paper consultation, which finished last December. I have had an analysis of the consultation responses undertaken. I am looking at options for legislation now, but this will probably not have much of an impact.

[74] **Christine Chapman:** Gwyn is next.

[75] **Gwyn R. Price:** On consultation, can you confirm whether you have had discussions with key stakeholders such as the Welsh Local Government Association, the Association of Chief Police Officers Cymru, police and crime commissioners and community partnerships? Have these been fully consulted on the Bill?

[76] **Lesley Griffiths:** You will appreciate that this is UK Government legislation, so it is up to the UK Government as to whom it consults. However, I would hope that it would have. I know that there has been some consultation with stakeholders in Wales, but I am not sure of the specific organisations; I do not have detailed information on that. I know that the UK Government had a long consultation; it was 14 weeks, and it had over 1,000 responses. My officials have asked Home Office officials to ensure that all Welsh bodies were given the opportunity to respond to the consultation if they wanted to do so, and that was the case. Very importantly, I think that there is positive engagement between officials.

[77] **Christine Chapman:** Mike, did you have a question? No? Okay. Peter, did you have a question?

[78] **Peter Black:** Yes. Minister, an ASBO is granted where the applicant proves their case beyond reasonable doubt. The new injunction to prevent nuisance and annoyance will be granted where the applicant proves their case on a balance of probabilities, which is a much easier test to meet. Some concerns have been raised by human rights groups and civil liberties campaign groups that the proposed changes will fast-track individuals into the criminal justice system, rather than diverting them away. Do you have a view on that?

[79] **Lesley Griffiths:** Yes, I do; I would be very concerned if that were the case. Very concerned. I have just been—

[80] **Peter Black:** Do you think that it will happen?

[81] **Lesley Griffiths:** I would hope not, and there is certainly nothing to make us think that it would. The IPNA is to stop people from being criminalised, so I would certainly hope that that would not be the case. I have just mentioned how much importance we place on diverting young people away from the criminal justice system, so I would be very concerned if that were the case.

[82] **Peter Black:** We have used fewer ASBOs in Wales, because we have gone down the route of acceptable behaviour contracts et cetera. Is there going to be a role for acceptable behaviour contracts in this new regime?

[83] **Lesley Griffiths:** Yes, there is.

[84] **Peter Black:** How will that work?

[85] **Mr R. Davies:** It is up to each individual relevant authority to decide whether or not these provisions will, should and could be used. It will be up to those individual authorities to use their discretion.

[86] **Peter Black:** I am just thinking that, because the burden of proof is less for an IPNA, people are more likely to pursue that rather than pursue an acceptable behaviour contract before an ASBO, as they do at the moment.

[87] **Lesley Griffiths:** I would assure colleagues that we will have to monitor the impact of what comes out of the Bill. If we thought it necessary, I would make representations to the UK Government.

[88] **Peter Black:** I have one last question. You mentioned restorative justice earlier on, which is being practised quite widely now in Wales, although it is not properly funded through the youth offending teams. Is restorative justice built into this new system, and will there be better funding for it across Wales?

[89] **Lesley Griffiths:** I love it when people on that side of the table—although not the two colleagues on my left—ask me questions about funding. You will appreciate that I am going through very difficult budget negotiations at the moment. I do not think that I can promise that there will be more funding in due course.

[90] **Peter Black:** Well, okay, in terms of the funding, but is restorative justice built into this system?

[91] **Lesley Griffiths:** Well, that is still there. As I said, I would hope that all of the things that we have focused on, ensuring that young people are not going into criminal activity, will continue.

[92] **Peter Black:** In actual fact, the youth offending team is a Home Office funding issue, as I understand it. It will be up to the Home Office to fund those teams to do restorative justice. I was just wondering, as it is a Welsh Government policy, whether you are putting money into that specifically?

[93] **Lesley Griffiths:** I would have to send you a note on that, if we are having to put specific funding into that.

[94] **Christine Chapman:** Rhodri, did you have a question?

[95] **Rhodri Glyn Thomas:** No.

[96] **Christine Chapman:** Leighton is next.

9.45 a.m.

[97] **Leighton Andrews:** Will the new IPNAs be used proportionately and consistently within and between jurisdictions, and will you be having discussions with the Home Office as to how they will be used?

[98] **Lesley Griffiths:** We will be having discussions. Until we know a bit more about them, it is a bit difficult to say, but there are concerns that kangaroo courts will spring up or something and that people would be dragged before them. So, it is really important that we see how they work. Obviously, it is for local determination—it is for local authorities to

decide how they would use it. Again, it is something that we will have to monitor. Lots of aspects of this concern me, as to how they will play out, and it will be up to us to monitor it, and, if necessary, make representations.

[99] **Leighton Andrews:** We would not want one policy in Wrexham and another in RCT, would we, particularly, on some of these issues?

[100] **Lesley Griffiths:** No. I think that we would have to look at it. It is up to them; there would be local determination. However, as you said, you would not want to see variation right across the country.

[101] **Christine Chapman:** Jenny, did you want to come in?

[102] **Jenny Rathbone:** Yes. At present, anti-social behaviour injunctions are only enforceable against people over the age of 18, although drinking banning Orders can apply to people over the age of 16, but these new injunctions can be applicable to anybody over the age of 10. How do you think that will improve the landscape in terms of discouraging very young people from drinking alcohol?

[103] **Lesley Griffiths:** From drinking alcohol, specifically?

[104] **Jenny Rathbone:** Well, that is one aspect, certainly. I am afraid that I have people in my constituency who are drinking alcohol at that age.

[105] **Lesley Griffiths:** Again, the fact that it will carry a civil sanction, rather than a criminal punishment, will help. While people who breach an injunction will be punished, they will not be criminalised. As I said, I do not want to see children criminalised. So, I think that it will help in that way.

[106] **Jenny Rathbone:** Do you think that being able to injunct children as young as 10 will increase the possibilities of children being criminalised?

[107] **Lesley Griffiths:** No. I think that it will get them help earlier. We go back to the point about trying to keep people out of the system: they would get help earlier than perhaps they would have done previously.

[108] **Lindsay Whittle:** In contrast to ASBOs, a breach of these new IPNAs, injunctions to prevent nuisance and annoyance—there are so many mouthfuls of names in these new laws; it is all jargon is it not?—will not be a criminal offence, but will be punished as contempt of court. That can mean young people going to either a county court or even the High Court. I really do not see the point of taking 10-year-olds to the High Court for what is probably a relatively minor offence. I understand that the UK Labour party has criticised IPNAs as being weaker than ASBOs. Do you share that view?

[109] **Lesley Griffiths:** Weaker than ASBOs? I would prefer to see a young person get help and to get that help earlier, which is what I think that will bring forward, than to be criminalised.

[110] **Lindsay Whittle:** I agree with you entirely. Thank you very much.

[111] **Christine Chapman:** Janet, did you have a question?

[112] **Janet Finch-Saunders:** No, I am fine.

[113] **Christine Chapman:** Peter, did you have a question?

[114] **Peter Black:** Yes. Can you provide examples of injunctions made under the Bill that will fall within the Assembly's powers?

[115] **Lesley Griffiths:** Yes. I asked for some examples, and one is if you have somebody who frequents A&E for instance and causes difficulties and is abusive to staff. The example I was given was if someone were to take their dog into A&E with them and the dog was not under control and was jumping around.

[116] **Peter Black:** Thinking it was the vet's or something?

[117] **Lesley Griffiths:** Yes. So, that is one example. Also, are you scrutinising the Minister for housing? There are issues around housing providers. I will let the Minister for housing answer those questions, but that is another example.

[118] **Christine Chapman:** Mark is next.

[119] **Mark Isherwood:** When I visited the secure children's home in Neath, the psychologist there told me that the majority of children who arrived were medicated, but that the majority of those were able to come off medication after the interventions that they had received in a secure institution because it was the first time that the underlying causes were being addressed. In that context, criminal behaviour orders will replace orders, such as anti-social behaviour orders, where a person is convicted of a criminal offence, but will give courts additional powers to impose positive requirements, such as attendance on courses and so on. What impact do you believe that will have on authorities in Wales, such as local authorities or recognised substance misuse recovery providers, in supervising compliance and enforcement?

[120] **Lesley Griffiths:** The proposals replace existing powers. For instance, I was concerned that maybe they would place additional burdens on local authorities, but I am reassured that that is not the case because they do replace existing powers. I will go back. We will need to continue to monitor the potential impact that this legislation will have on local authorities. If need be, I will make representations to the Home Office.

[121] In relation to the specific point that you raised, clause 23 of the Bill provides that, if an order includes a requirement, it must specify the person responsible for supervising compliance, and the court must receive evidence on the enforceability and suitability of the requirement from the individual specified, or in the case of an organisation, an individual representing that organisation. That could be the local authorities, for instance, which are obviously recognised providers of substance misuse recovery.

[122] **Christine Chapman:** Mark, did you want to continue?

[123] **Mark Isherwood:** Moving on to the community trigger, which would give victims and communities the right to require agencies to deal with persistent anti-social behaviour that has previously been ignored, the Bill will not prescribe exactly how local areas should implement the trigger. The criteria—for example, the number of complaints that would lead to action—will be left to local discretion. What will this mean for Welsh local authorities and communities?

[124] **Lesley Griffiths:** I think that this will be a positive step. Local authorities will be compelled to publish the thresholds that they set, or any criteria process. They would have to publish any reporting mechanisms that they wished to use. I think that that will make them more accountable to their local population and to the people whom they serve. It should mean that they are also focusing on the needs of the victims in the area. I did say earlier that the

community trigger is aimed at protecting victims, and local authorities, along with housing providers, will obviously know what is best for the local area. As it is replacing existing responsibilities, I do not think that the impact will be too great on local authorities.

[125] **Christine Chapman:** Before you come back in, Mark, Mike has a supplementary question on this. I will then bring you back in, Mark.

[126] **Mike Hedges:** It is on Leighton's earlier question, really. How do you ensure that people in Wrexham are treated the same as people in Rhondda Cynon Taf?

[127] **Lesley Griffiths:** As I say, we will have to see what thresholds are set. We will have to give them some direction, I presume, to make sure that we do not have a huge variation.

[128] **Mike Hedges:** From that answer, I take it that you will be issuing an advice note on it.

[129] **Lesley Griffiths:** Yes.

[130] **Mark Isherwood:** This is a supplementary question to the question that I raised earlier. I just wondered how and what agents are responsible for ensuring that victims and communities are made aware of the existence of these mechanisms. Will it be done by the third sector? Will the police actively inform people when they first engage with them, or how otherwise will people be informed?

[131] **Lesley Griffiths:** The publication of that will be a requirement on local authorities.

[132] **Mark Isherwood:** Okay. I think that question 18 is someone else's question.

[133] **Christine Chapman:** That is fine. Mike has a question. I will then bring in Jenny.

[134] **Mike Hedges:** My question is on the financial costs. Is there any indication of what it is likely to cost either the Welsh Government or local authorities at this stage and, if there is not, when are you likely to know?

[135] **Lesley Griffiths:** It is primarily UK Government legislation, so it is up to it to make sure that it has the appropriate funding in place for its sections of it. Officials have been discussing the point about finance. I think that it is anticipated that there will be cost savings by removing existing anti-social behaviour laws. So, it is believed that these proposals will be cost-neutral, but we have not been able to be completely clear, I think that it is safe to say. I do not know whether Claire can add any more about discussions between officials.

[136] **Ms Rooks:** Yes, this is something that I raised very early on with my colleague in the Home Office. Clearly, we are in a bit of a difficult situation with the devolved and non-devolved interface, and the burden is on local authorities. I did make it clear from the very beginning that, actually, we need to be assured that there will be sufficient funding available to fund these, and my colleague was quite adamant that if there would not be cost savings, it would be cost-neutral, because they are removing previous burdens from local authorities and replacing them with these instead.

[137] **Mike Hedges:** So, have they provided any data to show that? Everybody says that things are cost-neutral, but have they provided any data to show proof that it would be cost-neutral, namely the savings on one side and the additional costs on the other?

[138] **Ms Rooks:** They have done a regulatory impact assessment to go with the Bill, and that is available online on the Home Office website. I am afraid that I cannot tell you the

figures off the top of my head, but there are figures on there.

[139] **Mike Hedges:** Are you happy with those figures?

[140] **Ms Rooks:** To be honest, I have not studied them in any great detail, but they were there.

[141] **Mike Hedges:** Will some people study them in detail?

[142] **Ms Rooks:** Yes, we can do that.

[143] **Jenny Rathbone:** I just wanted to ask you about the specific area of the control of dogs and how this legislation does or does not enable us to make the community safer. Julie Morgan, following a very high-profile attack on a child by a neighbour's dog, has been very vocal on this, as has the Communication Workers Union on behalf of postmen and postwomen. What is in the Bill to make it much clearer that the owners of dogs have an absolute responsibility for what their dogs—

[144] **Christine Chapman:** May I say, Jenny, that this is with the Environment and Sustainability committee this afternoon?

[145] **Lesley Griffiths:** Yes, it is a different LCM.

[146] **Jenny Rathbone:** Okay, so this is—. I am sorry.

[147] **Christine Chapman:** I think that the environment committee is looking at it this afternoon.

[148] **Peter Black:** I have a general question in terms of how we have dealt with anti-social behaviour in Wales—I always consider anti-social behaviour to be criminal behaviour. We have always dealt with it through a partnership approach at a local level, and local partnerships have been very successful in driving down anti-social behaviour and avoiding the use of ASBOs et cetera. How are these new orders going to fit in to that partnership approach and is it going to take some time for an approach to develop out of these partnerships as to how they fit in?

[149] **Lesley Griffiths:** Yes, I think that it will take some time for it to develop. If you look at criminal behaviour orders, for instance, you see that local authorities are able to directly apply for prosecution—they do not then have to get the permission of the police, but I would still want to see that partnership working. Obviously, those are criminal behaviour orders. The community triggers will require partnership.

[150] **Peter Black:** Do you think that they will start developing their own triggers and their own approach to it as part of that? You have to get that to be consistent across Wales, do you not, as we have managed to do before?

[151] **Lesley Griffiths:** Yes, that was the question that Leighton asked about not wanting variety between local authorities. However, I think that until it starts and we see how it is developing, we cannot really—

[152] **Peter Black:** So, is your role then to try to convene all those partnerships to lead the discussion?

[153] **Lesley Griffiths:** Yes, I would see that as part of that. Also, I meet regularly with the police and crime commissioners. I think that it would be something that they would have to

talk about together as well.

[154] **Christine Chapman:** I think that we have covered all the questions that Members wanted to ask, Minister. So, I thank you for attending. We will send you a transcript of the meeting so that you can check it for accuracy.

[155] We are now going to invite our next witnesses in. They are just outside.

10.00 a.m.

**Ymchwiliad i'r Rhwystrau i Adeiladu Cartrefi yng Nghymru—Sesiwn
Dystiolaeth 1
Inquiry into Barriers to Home Building in Wales—Evidence Session 1**

[156] **Christine Chapman:** For this item, the committee is doing an inquiry into barriers to home building in Wales. This will be our first evidence session. I welcome Paul Bogle, policy manager with the National Federation of Builders; Richard Jenkins, a director of the Federation of Master Builders Wales; and Richard Price, planning and policy advisor for Wales with the Home Builders Federation. I welcome all of you. I know that you have sent a paper, which Members will have read, so if you are content, we will go straight into questions and we can develop some of the points that I am sure you would like to make.

[157] I just want to start off. What is the current state of the home building sector in Wales, and what challenges are you facing as a result of the challenging economic conditions? You do not all need to answer; it is up to you.

[158] **Mr Price:** I can answer that. Let me give you a brief synopsis of the Home Builders Federation—or is everybody familiar with the federation?

[159] **Christine Chapman:** Yes, we would have had the information.

[160] **Mr Price:** Basically, I have gone through some of the main issues in the paper that I sent to you, not necessarily in order of importance, but I will start with the first one. What we would like to see is something in national policy to recognise what I would call a housing crisis in Wales at the moment. What I have said in my response is that, at our last count, there was a backlog of 60,000 in terms of housing need in Wales. We are currently building far less than we ought to be building, every year going forward. I think that, at the last count, we had built about 4,700 or so homes in Wales—obviously the recession has hit that quite badly—but the latest Welsh Government guidance is that we should be building in the region of 14,000, so there is a huge shortfall there. What we would like to see in the first instance is something in national policy to recognise that housing crisis that we have; something that we can draw on at a local level to say to local authorities, 'Look, we have a real problem here, which is recognised by Welsh Government, and recognised in national policy, and we all have to play a role in trying to sort that problem out'. That is something that would help us from a planning perspective and a housing policy perspective: national guidance going forward, and working with local authorities to address the issues.

[161] On some of the more short-term measures, obviously there is a huge problem with mortgage availability at the moment in Wales, as there is across the UK. Unfortunately, NewBuy Cymru had to be put on hold, which I would add was outside the control of the Welsh Government, the Home Builders Federation and the industry. Unfortunately, we have put that scheme on hold. In the interim, the Welsh Government, ourselves and our members are working very hard to get the equity loan scheme adopted in Wales, which is something that will assist the mortgage market. Certainly in the short term, there is a huge issue with

mortgage availability, which is a significant barrier to home building in Wales.

[162] Some of the other issues that I have pointed out are largely to do with development viability, which again is a huge issue. You will see that quite a lot of my response is focused on development viability in Wales. When we talk about development viability, it is not just one thing like the changes to building regulations or fire sprinklers, which is kind of a hot topic at the moment; it is the cumulative impact of regulations. It is national requirements and local requirements, and the cumulative cost of that regulation and how it impacts on land values and therefore building houses in Wales. That is something that needs to be addressed and looked at on a national level and on a local level.

[163] There is a huge shortage of land for housing as well in Wales, and that is something that needs to be addressed. I think that the Minister recognises that as well. We would like to see a public land release programme on a national level and a local level, which I think would also help with dealing with the issues that we experience with viability. You could convert more of the land value then into community benefits rather than capital receipts, and that would help quite a lot in terms of driving growth and investment in house building in those areas that are more challenging in terms of investment and growth, and areas that need quite a lot of affordable housing and social housing.

[164] **Christine Chapman:** On some of these issues that you have raised, I know that some Members want to ask you some quite detailed questions, so if you are happy, I will move on to another. I know that they want to raise some of these issues.

[165] Janet, I think that you wanted to come in next.

[166] **Janet Finch-Saunders:** It is like asking how long a piece of string is. Anyway, how long do you think the current market conditions are likely to continue?

[167] **Mr Price:** I have absolutely no idea.

[168] **Janet Finch-Saunders:** Also, my other question is this: some of us in the Assembly feel that there is perhaps a lot of red tape and bureaucracy and a mass of regulations facing home construction in Wales. How do you feel that that is having a negative effect on housing development?

[169] **Mr Price:** Not to answer your first question, but to address it, our members are saying that things are starting to pick up at the moment, which is very encouraging from our point of view. So, if there are any schemes that can be brought forward to help the industry, like mortgage guarantee schemes et cetera, they should be adopted as quickly as possible. As I have said, we are working very hard with the Minister to do that.

[170] There are quite a lot of regulations being proposed by the Welsh Government that are not being proposed across the border in England. There are changes proposed to Part L of the building regulations, which I have discussed in my paper, and there are fire sprinklers. Those two policy agendas will add quite a lot of, not just red tape, but cost on to the development industry. There are also a number of other issues that need to be addressed on that, but just in terms of how that will affect house building in general and viability issues, those two issues alone add quite a lot of cost to development.

[171] One of the big issues with those two areas is that they are being brought in through building regulations. So, they will be required by law, and they will not be negotiable on a site-specific basis to try to make a development viable. Other things will need to be negotiated in order to try to address those costs in the land value. Again, there is very limited scope for what you can negotiate in order to make a development viable. They are things like

education and transport; those big-ticket items that have quite a lot of financial capacity in them. They will be required on developments, and so, very often, what you are left with is the affordable housing requirement. That is the only thing with any financial capacity to negotiate. So, in areas where it does stack up and it is viable, you will see that, probably, affordable housing requirements will have to be reduced quite significantly to deliver those two policy objectives.

[172] **Janet Finch-Saunders:** Finally, do you think that the Welsh Government should go back to the drawing board, so to speak, and review the amount of regulation that it is putting on the industry?

[173] **Mr Price:** I think that it would help if we had a review of regulation. Some of the viability assessments that have been done by Welsh Government that I have seen and been part of have demonstrated that the cumulative impact of regulation will impact on land values in many areas of Wales—and that is the Welsh Government’s own work. Sometimes, when we get a consultation from Welsh Government, we kind of say, ‘Here’s your work proving what we are saying is right’. So, it would help if we had a review of that, and if we were, not honest, but pragmatic about what we can deliver in Wales with the land values we have and the challenges that we have as well.

[174] **Mark Isherwood:** I think that most of my questions are going to be addressed by—
[*Inaudible.*]

[175] As you are aware, the EU has identified housing supply as the main driver of affordability, with the housing crisis, which has been referred to this committee and previous inquiries, being a main factor in that. You referred to viability, and the question that has been suggested is this: what profit margin would a developer seek to achieve on a two-bedroomed property in Wales, and how does that impact on viability? I know that it is a bit more complex than that, involving assessing viability assessments, looking at land values, current and projected. I stress the point that one thing you cannot do, of course, is to develop at a loss, as opposed to a profit. So, what, addressing the general issue, would you describe, in layperson’s terms, as a viability assessment? What factors do you have to consider, and what minimum returns would you need to see generated to justify the investment?

[176] **Mr Price:** It is not a question of profit margins. When we discuss issues of viability with the Welsh Government and local authorities, the profit a developer gets from the proposal is not something that we discuss in general. We all recognise that developers need to make a profit, because they are businesses, and they need to make a return. The other thing about profit levels is that you need to demonstrate a certain level of profit in order to get finance for development. We have kind of come to a consensus on what that should be, and that is not a driving factor behind viability.

[177] What is the driving factor, as you rightly say, is land values, and we always come down to the question of what a landowner would accept as a sensible land value in order to sell that piece of land for development. In simple terms, the way it works is that you have gross development value, and when you have built the site, you have a number of houses and how much you sell those houses for is your top end. You then have costs and other things like profit levels, which come off that, and then you have the section 106 requirement and the regulation and red tape and how much that costs. All of that eats into the land value, and if it gets to the zero-land value point, then, obviously, the landowner is not going to accept nothing for their land.

[178] In many areas of Wales, what we have found is that it is not a discussion about how much a landowner would accept if that land value has already gone into minus, which I think I have shown in some of the graphs I have given you in my evidence. What came across in

the Welsh Government's viability analysis in Cardiff, Rhondda Cynon Taf and Conwy is that a vast majority of those land values were going into minus, which means that there is no discussion with the landowner because the landowner would effectively have to pay the developer to sell their land. That is the issue that we have at the moment, and that is what impacts on viability. It is the margin left in the land value to account for the regulation and policy requirements that national governments and local authorities are asking for.

[179] **Christine Chapman:** Leighton Andrews wants to come in on a specific point.

[180] **Leighton Andrews:** In terms of land values, you have put some interesting graphs in your evidence. If I can refer you to page 8 of your evidence on RCT residual values, everything you put there for the Rhondda is minus, so it is very negative. Can you talk us through the real meaning of that graph?

[181] **Mr Price:** From what we saw of the Welsh Government's work in RCT, that also described land values as going quite significantly into minus territory. I have discussed this work with the Welsh Government and it has said that my work is robust and reflects what it has done. What this means is the point I have just been making. If you look at the table, you will see zero affordable housing, 10% affordable housing, 20% affordable housing, et cetera, and what is left, after every cost has been taken out and the after the development has been built, is a sum of money that should be the landowner's payment for the land. If you look at Pontypridd to the right, even at zero affordable housing, you will see that they are minus figures. So, there is nothing in there for the landowner.

[182] **Leighton Andrews:** Yet, people are still building houses in the Rhondda.

[183] **Mr Price:** The point I am trying to make here is the impact that the proposed changes to Part L and the proposed changes to fire sprinklers and everything else will have on development in the Rhondda valley and in other areas. As I have said, the Welsh Government has done exactly the same work and it comes out with very similar results. That is the concern that we have.

[184] **Leighton Andrews:** Okay, but if they are still building at the moment, and you are saying that this is after the introduction of those regulations, what would your assessment be of those figures now? Would they be positive or negative now? They would still be negative, would they not?

[185] **Mr Price:** Some of them would be positive, but you need to remember that there is an allowance at the moment for renegotiation on a site-by-site basis. A number of the developments are in the top end of the Rhondda and the Valleys areas, but a lot of our members are not building in those areas at the moment—

[186] **Leighton Andrews:** They were not anyway. Before the crash, I saw some quite preposterous proposals by developers for developments in the top end of the Rhondda.

[187] **Mr Price:** Where?

[188] **Leighton Andrews:** Fernhill colliery would be a very good example; I was not at all convinced that that development would ever happen. However, these proposals were being made and a lot of people who did not want it were getting very worked up about it—

[189] **Mr Price:** Was that a proposal by developers or by the local authority?

[190] **Leighton Andrews:** By developers.

[191] **Mr Price:** When was this?

[192] **Leighton Andrews:** I am guessing now, but I guess that this would have been around 2006-07.

[193] **Mr Price:** Just before the crash.

10.15 a.m.

[194] **Leighton Andrews:** Yes. My worry here is that, pre-crash, there was a lot of speculation that houses in some private housing developments undertaken in the Rhondda were probably being sold at quite high rates, compared with what the real market was then. I am sure that some developers subsequently lost out as a result of those over-valuations. What I am trying to understand, in terms of what you are really saying, are the overall profitability issues facing the sector. It seems to me that people can make a case on regulations, they can make a case on the sprinkler issue and so on, but there is a fundamental issue, which is that we are still in financially hard times for everybody. We saw what happened to share prices of builders from 2008 onwards. So, to what extent is this really a fundamental issue for your members? I have read the evidence and, while I understand that everybody is saying that it would cost between £10,000 to £13,000 to implement these regulations, what I am really trying to understand is this: if you were on a rising market, as you were prior to the crash, would you really be making quite as much noise about this?

[195] **Mr Price:** Absolutely. We have been worried about development viability for quite some time. The recession hit—and it was a global recession—and that had a massive impact on house prices and land values, as you have suggested. However, we are where we are. At the moment, it is very difficult and very challenging for our members to develop in many areas of Wales. That is a point that has been made by us and by major developers over the last few months and years. This piece of work that I have done is a high-level test. Obviously, it is not a site-specific thing; these values will not be specific to developments, as it is a high-level test. However, what it does is show the impact of increasing quite significant costs in a time when we are in recession, where we have lower land values and lower house prices; and the impact that will have on development in many areas of Wales, such as the Valleys areas and other areas like those, which really require regeneration and investment, and an increase in affordable housing, not a decrease. At the moment, our members are telling me that the circle of where they can develop is shrinking because of issues of viability, and that is without these new, additional costs coming forward. As I have said, the work that we have done is supported—well, not supported, corroborated—by the Welsh Government's work. Its work shows exactly the same thing: that land values and viability will be hit extremely hard in many areas of Wales, but particularly in those areas that have low land values and that require regeneration, investment and increased amount of house building and affordable housing.

[196] **Mike Hedges:** Staying in RCT for a moment, I would like to raise three things. First, on land values, are British and Welsh land values not substantially higher than those of places like North America?

[197] **Mr Price:** I do not know.

[198] **Mike Hedges:** The answer is 'yes'. Secondly, you are telling me that, if Rhondda Cynon Taf County Borough Council actually made land available in Trecynon, around the country park, or in the Pontyclun and Miskin area, then you would have no interest in developing that?

[199] **Mr Price:** That is not what I am saying. What I am saying is that there are areas of a local authority that our members are saying that it is not viable at the moment for them to

develop.

[200] **Mike Hedges:** Finally, I went on the website earlier today, but I was unable to find a development site either in my own constituency of Swansea East, for a single house development, or in RCT for less than £50,000. Could you identify—obviously not now—where I could find a site for less than £50,000 in either of those areas?

[201] **Mr Price:** What do you mean by ‘site’?

[202] **Mike Hedges:** A place with planning permission to develop a single dwelling. I could not find anywhere for less than £50,000 for a development site.

[203] **Mr Price:** I am sorry, I do not know what point you are trying to make there.

[204] **Mike Hedges:** You made the point that land values are negative or are going to go negative, but I am saying that, when I looked to try to buy some land—not to buy it, but to look at what the land value was—I found that sites were available at about £50,000 or more in both Swansea East and RCT.

[205] **Mr Price:** Okay; you are slightly missing my point. That is a good example to raise. So, a landowner is trying to sell a piece of land for more than £50,000. With all of these costs, if you go to develop that site, you will not get £50,000 out of it. It will be negative. So, the landowner will not sell you that piece of land. You will not be able to buy that piece of land or develop it because those costs will eat into that £50,000 and more.

[206] **Mike Hedges:** So, are you telling me that that land will not be sold.

[207] **Mr Price:** I am not telling you that that piece of land will not be sold. What I am saying is that, in the areas where I have identified minus residual land values, if you want £50,000 for your piece of land and you need to apply all of these costs and regulations, the likelihood is that you will not get it.

[208] **Christine Chapman:** Paul and Richard, if you want to come in on this, feel free to do so.

[209] **Mr Bogle:** What I will say is that we are coming at this from a slightly different angle. The National Federation of Builders Cymru and the Home Builders Federation represent the lower volume end of the housing market. Some of these issues are common across our federations, but probably to a much lesser degree. The key issue that we are facing would be access to finance. In terms of getting land, what our members are looking at are smaller sites and infill sites. In terms of land availability, it is much less of an issue for our members because they are not looking at larger plots of land, as members of the HBF would be.

[210] In terms of costs, viability is an issue, as is the cost of regulation, but it really comes down to access to finance. If you have to develop a smaller site and you do not have a bank of land that you have invested in a while ago, and you are acquiring land as you want to develop it, you really need to see that land pay. Incoming regulatory costs are, therefore, going to eat into that investment. On an ongoing basis, getting access to finance and getting land that has planning permission are two key issues for our members.

[211] **Mr Jenkins:** I would support Paul’s comments. Again, I represent the smaller builder—we do not have any volume house builders as members—and I believe volume house builders, when they say that they are struggling to make their large housing sites as viable or profitable as they have been in the past, are looking at sites that will provide that

profit motive and margin. When the site becomes less able to return that profit because of the accumulated cost, they are not going to be so keen on developing that land.

[212] I agree with Paul that the problem that our members will tell you about is the market economy in which we live; the market for getting into the housing chain is very difficult to access at the moment, particularly for younger people. Today, we heard that most people are getting their first properties well into their 30s, which is a complete change from what we had quite a short time ago. The big issue is providing that impetus, help and support for younger people to get into the housing chain earlier.

[213] The issue that we have is around the release of land. We have had reports from Cardiff not so many months ago that the council is going to release huge tracts of land for a massive house building project around Cardiff, with 48,000 houses. The problem that we have with that, and with what is happening across Wales, is that too much land is being released. Land is released in large tranches because it is easier, quicker and more methodical to do it that way, and that puts the land completely out of the reach of the small builder. The small builder cannot compete with the volume house builders. I am not knocking the volume house builders; we need volume house builders—do not get me wrong—but it seems to have gone a little bit the other way, in that we are not able to access the planning.

[214] **Leighton Andrews:** I just want to understand this—are you saying that too much land is being released?

[215] **Mr Jenkins:** No, I am saying that what land is being released is generally being released in large tranches.

[216] **Leighton Andrews:** The land is being released in large tranches.

[217] **Mr Jenkins:** Where it is being released, it is being released in large tranches.

[218] **Leighton Andrews:** Mr Price, from you what you said earlier, I understood that land was not being released.

[219] **Mr Price:** If we are talking about Cardiff, the council has only recently—in the last year or so—recognised the fact that—

[220] **Leighton Andrews:** In answer to an earlier question, you said that we need a public land release scheme.

[221] **Mr Price:** Yes, we do.

[222] **Leighton Andrews:** The other Richard is saying that large tranches of land are being released. Is there any inconsistency between your organisations? I just want to understand what is really being said.

[223] **Mr Price:** If you read my report—I do not know what page—what I say about land release is that the local development plans that have been submitted and adopted have quite a lot of land released in them. However, the land is not in the areas where—*[Interruption.]*

[224] **Leighton Andrews:** Where you want to build.

[225] **Mr Price:** No, the land is not in the areas where it would be viable to build, rather than it not being where our members want to build. Our members want to build houses; they are in the business of building houses. The reason that they do not build houses is because they are stopped from building houses by problems and issues, particularly those relating to

development viability.

[226] **Leighton Andrews:** Should planning policies direct house builders to particular areas of Wales?

[227] **Mr Price:** What do you mean by ‘direct’?

[228] **Leighton Andrews:** What I mean is that there should be a requirement for a balanced programme of building across south Wales, say, rather than concentrating in the docklands area of Cardiff.

[229] **Mr Price:** You have to be careful when you have that kind of strategy. You cannot force development into areas where it is not viable. You cannot force developers or any other companies or sectors to develop a piece of land where it is not viable to do so and it does not make business sense to do so. What you need to do—and this has been proven to a certain extent by areas like Caerphilly—is concentrate on areas that are attractive to investment, support those areas, allow them to flourish and provide opportunities in areas that find it more difficult to attract investment. You can see that the southern part of Caerphilly is being developed, and that that process is spreading to areas like Blackwood and Ystrad Mynach. That is a successful strategy that has worked in that respect. This is probably the most pragmatic way to do it: concentrate on the areas that are attractive to investment and provide opportunities and a strategy that allow people to say, ‘Okay, it looks like there are opportunities in the more attractive areas, but this peripheral area is an up-and-coming area. I think that I will develop in this area.’ That is the way in which you allow those benefits to radiate out from those areas, rather than trying to force people to build houses or invest in areas that generally do not make business sense to them.

[230] **Mr Jenkins:** The problem relates to the release of land. If you look at the historical release of land and at planning, and if you drive around south Wales, north Wales or wherever you like in the country—or England as well, for that matter—you will see large housing estates built by volume house builders. That, to a certain extent, is the answer to a lot of our problems. We need a lot of houses. However, to a lot of our members, it seems that, over the last few years—and it looks like there is nothing to stop this continuing in the future—land is still being released in such a way that the only people who can compete for the areas of land are volume house builders. We are asking that land be released in smaller tranches occasionally. Part of that should allow for smaller developers to have sites.

[231] One of the downsides is that, if you walk into a housing estate in Bryncethin and shut your eyes and open them again, you could be in Milton Keynes. Is that what we want? If that is what we want from volume house building, great; okay. However, we could with some character and culture in our housing. We all have a financial driver. We all have to make a profit. However, they will make a profit by building houses to their specific requirements. That is fine, and I am not knocking it. That is the way to make a reasonable profit out of housing. However, this is being done to the exclusion of all other avenues. Small house builders and developers are getting completely frozen out of the picture. I remind you that the vast majority of volume house builders are global companies, and national companies in the English national sense. The majority—well, practically all—of the small house builders are indigenous Welsh builders. So, we believe that there is a moral imperative here to look at how this is occurring and not to release huge tracts of land on which we build 500 houses that all look the same. They are more viable like that.

[232] **Christine Chapman:** I have Jenny and then Janet to come in, and we will need to move on to some other areas.

[233] **Jenny Rathbone:** The point made is an important one, and I picked it up in the

evidence. What discussions have you had with the WLGA—or with Cardiff Council, specifically—to release land in smaller tranches, so that smaller organisations like yourselves could bid for pockets of large tracts of the areas that I know Cardiff is thinking of releasing?

[234] **Mr Jenkins:** As the FMB, we have not had those discussions. That is a very good point, and we would like to take it up with the WLGA and with other authorities. I know that local members have complained long and hard about this to local planning authorities.

[235] **Jenny Rathbone:** Your local members.

[236] **Mr Jenkins:** Yes, our local members. Having spoken to members some months ago, it seems that there used to be a policy of doing this in Cardiff some years ago, when land was released in smaller tranches. That seems to have been chucked in the bin now. There is a dichotomy here. Using volume house builders is the way to build a lot of houses. We need a lot of houses to be built, but not to the complete and utter detriment of every other house builder and developer.

10.30 a.m.

[237] **Jenny Rathbone:** However, if your local members are pointing this issue out, have you had no discussions at all?

[238] **Mr Jenkins:** No; not as yet. We have had other things on our horizon; we find the VAT element more important and we need to work hard on trying to get everybody to support that more strongly. Most of our members are in the repair and refurbishment market. I cover that in the paper, because we talk about a housing shortage and we have 24,000 empty homes in Wales. The problem with that, of course, is that, for a lot of developers, it is quicker, easier and cheaper to knock a viable house down than rebuild because you already have a 20% VAT benefit on that, because you do not pay VAT on a new house. That is the issue that we have been trying to concentrate on, along with the procurement issue, where we try to influence the procurement. McClelland has been brilliant in that respect. We have spent a lot of time trying to get McClelland put through and worked through so that procurement is viewed for the benefit of the indigenous Welsh builder and not for the global company so often. So, there is a crossover about how we view it. We have no tier-1 builders in Wales. We do not have a tier-1 construction company that is Welsh based.

[239] **Mr Price:** I would just like to pick up on some of the points that Richard made. The reason for larger sites, or strategic sites as local authorities call them, is not just for viability issues. Cardiff is proposing to develop 45,000 houses over the next 20 years. You need strategic sites to deliver that amount of development. You could not deliver that on pockets of land of five and 10 houses. I have absolutely no problem with releasing small sites for smaller builders. I have family-owned companies—one-man bands—as members of HBF, and they are as important as our larger members. The issue is that most local authorities and development plans will not identify sites for less than 10 units. They call a major site one of 10 units and more. I think that it would be quite difficult for a local authority such as Cardiff, Bridgend or Caerphilly to look at their housing requirements and start to identify sites of five units in order to deliver on those. There are various practical and viability issues, but strategic sites are a necessity when you are trying to deliver quite large housing numbers.

[240] **Janet Finch-Saunders:** Today, you have highlighted some of the issues. We met with the north Wales housing construction companies, and we talked about the McClelland report and procurement, where we try to keep the Welsh pound going around in Wales so that anything that we do benefits our indigenous, Welsh aspects—culture and everything. They said that a typical example of pre-application tenders, in some cases, and for not-large sites, requires £250,000, which would put any small developer off, and then they lose out on those

pre-application tenders to big companies over the border in England. Those companies have a registered office in Wales, but the vans come and do the house building, and they do not always abide by all of the conditions of the tender that would have put off some of the smaller developers. The whole thing needs joining up in some way, including the McClelland report, to allow the release of small sites to small developers.

[241] I will say, to put it on record, that the recent LDP has been a farce. It has succeeded in winding up our local communities because it is releasing large pockets of land for huge developments when there is a lot of ribbon development and infill that could take place, and that would be far better for Wales as a whole, for the economy. So, what should the Welsh Government be doing, and how soon should it be doing it, to join all of this up and to say, 'There is a problem here. The LDP is wrong.'? We are governed by this process now, but in real terms, as my colleague Mark will confirm, the LDP will not deliver the number of houses that we want.

[242] **Christine Chapman:** Do you have a question? We are here to take evidence from our witnesses.

[243] **Janet Finch-Saunders:** My question to all three gentlemen is: will you tell this committee whether the Welsh Government needs to go back to the LDP process? Do we need to look more at some kind of joined-up commission with McClelland? How do we address this, because I think that it is a boil that needs lancing?

[244] **Mr Price:** When you say that the LDP is wrong, which one are you talking about?

[245] **Janet Finch-Saunders:** The numbers, the housing sizes and land release. It is all geared up for the larger developer than it is—

[246] **Mr Price:** Are you talking about one particular local authority?

[247] **Janet Finch-Saunders:** The outcry from across Wales on the LDP process.

[248] **Mr Price:** So, you are talking about the LDP process in general.

[249] **Janet Finch-Saunders:** Yes, the actual numbers and the release of land. It is regarded that big is beautiful, but it is not. It is going to run out, the Welsh language and the culture, and it is not going to help our economy, and it is not going to—

[250] **Christine Chapman:** Janet, can you ask the question because, obviously, the witnesses are here?

[251] **Janet Finch-Saunders:** I have asked the question that I have asked.

[252] **Christine Chapman:** You may or may not agree, but perhaps we could try to get some specific questions there, please, Janet. I call on Paul to respond.

[253] **Mr Bogle:** We have been doing quite a bit of work with local authorities on a separate issue, but one thing that it has highlighted in terms of procuring work is that one thing that can be used now, without changing any of the existing rules that are in place in order to benefit local and regional firms, is the Public Services (Social Value) Act 2012. The Act encourages people who are procuring to look much more closely and freely at the most economically advantageous tender and to look at companies that could provide local community, social and cultural value to that particular tender. That may not necessarily be the person who offers it at the lowest cost or who, basically, will only do it if it is economically viable, but may be someone who will give something back to the community. That will

provide something that is longer lasting, so that you do not get something that looks heterogeneous, that provides something that is pleasing as well as practical. So, the Public Services (Social Value) Act, I think, is something that we should all be looking at much more closely to see how we can apply that to the way that we go out to the market.

[254] **Mr Jenkins:** I think that the Public Services (Social Value) Act only applies in England, does it not?

[255] **Mr Bogle:** I thought that it applied to Wales as well.

[256] **Mr Jenkins:** I think that it is only England, but I will not argue as I am not absolutely sure. However, I think that the point is made: that is what we need. The community benefits schemes, as part of the McClelland review being operative, are doing the same sort of thing. The McClelland recommendations need to be adopted. As we have heard on four separate occasions now, the Minister has said that if the McClelland recommendations are not adopted fully by public sector bodies, she will legislate. Unfortunately, I think that we are getting to that cut-off point of thinking, 'They're not adopting it, and they're not using it; so, let's talk about legislation', from our point of view. We are slightly off the track with housing, because housing is a market force thing and it does not really come in to public procurement—so, we have gone off the track a little bit—but I agree totally with what my colleagues Richard and Paul have said. It is a market-driven exercise at the moment, because there is no social house building allowed. We do not do any social housing any longer, really. House building is new or quite little. I think that most of the house building has been done as a market-led thing. That may be an area that we need to look at, that is, how we can reinvigorate the social housing market.

[257] **Christine Chapman:** Mike has a question.

[258] **Mike Hedges:** I have a question for Richard Jenkins. Would it be beneficial if local authorities were to identify sites where between five and nine houses could be developed?

[259] **Mr Jenkins:** Absolutely.

[260] **Christine Chapman:** Did you also wish to answer, Richard?

[261] **Mr Price:** Yes, I just wanted to come back on some of the points that you made. We have many issues with the LDP process in Wales. One of the big issues that we have had, for quite some time, is that we have a lot of small local authorities in Wales all doing their own thing, particularly in south-east Wales. We have always advocated some sort of regional tier where you could kind of bring all of that together. In terms of the big is beautiful comment, we do need large strategic sites, but we also need smaller sites. One of the big problems that you have when you have a lot of small sites is that you get a dispersal sort of scenario, which increases travel, the carbon footprint and all the rest of it. We witnessed this with some of the planning that went on with the south-east Wales group, where you had Caerphilly suggesting that they had good links to Cardiff and wanted to continue those good links, yet the majority of their land was allocated in the Pontlottyn and Rhymney areas, which meant that you had to travel all the way through Caerphilly to get to Cardiff. So, it did not make any sense. We have always advocated a sort of regional approach to that to bring all of that together and to try to get a more sort of cohesive development scheme, particularly for areas like south-east Wales. I think that a lot of that work is being done at the moment with 'regional planning', as you call it, and the Elizabeth Haywood project that also happened. Something that we would advocate is some sort of regional tier to control all of that.

[262] **Christine Chapman:** Before you start, Jenny, we have around 10 minutes. I remind Members that we are very grateful to our witnesses for coming in this morning to answer

questions, and we would like to have time to listen to them. Could Members be very specific with their questions, so that we can give more time to our witnesses? I now call on Jenny.

[263] **Jenny Rathbone:** Very briefly, just to go back to land banks, across the UK, developers are sitting on land banks that they are not choosing to develop. Are you saying that that is not an issue in Wales, and that developers do not have land banks in Wales?

[264] **Mr Price:** First, developers do not have huge land banks. An Office of Fair Trading study was done one or two years ago, which was an independent study, that proved that developers do not have massive land banks—

[265] **Jenny Rathbone:** Okay, so developers in Wales do not have any land banks—

[266] **Mr Price:** No, they do not, and—

[267] **Lindsay Whittle:** They do—come on—[*Inaudible.*] It is the smaller builders who do not have the land banks who cannot compete. If the success of Wales is going to come from within Wales, it is the smaller builders that we should be helping, not the larger ones, with respect. I am not sitting here listening to that, with the greatest of respect.

[268] **Christine Chapman:** Could you confirm Lindsay's point, Richard? I will come back to Jenny, but just confirm that particular point.

[269] **Mr Price:** Which particular point—that we should not be helping larger builders?

[270] **Christine Chapman:** Yes, in relation to land banks.

[271] **Mr Price:** Land banks? I will draw you back. The OFT study was conducted across the UK; it proved that developers do not have land banks. I explained why a developer would not have a huge land bank. There is no sense for any developer, small or large, to sit on a piece of land. It costs them money, and it will continue to cost them money until they develop it. The only reason that a developer would not develop a site is because of viability issues or because of issues that it has had when it got the site and now it has become more difficult to develop. There is absolutely no reason for a developer to sit on a piece of land—

[272] **Lindsay Whittle:** But—

[273] **Christine Chapman:** Hang on a minute, Lindsay.

[274] **Mr Price:** To a certain extent, some developers do need a certain amount of a land bank in order to run a business, because you always need to be identifying forward land, purchasing that land or putting options on that land in order for you to continue your development. Smaller developers operate in a different way to that—it is a similar way, but different. They are looking at land in a more immediate sense, and my colleagues can come in on this, but what happens with smaller developers is that it becomes a lot more difficult when you have these viability issues and these huge costs that are levied on development. The issue for smaller developers is that if their site goes down, it is likely that their business could go down, and that is why we need to help smaller developers. It is not a question of targeting smaller developers for help, and not targeting larger developers, because larger developers build the vast majority of housing in our country, and that is not going to change—smaller developers are not going to step in and carry out that role. They provide the vast majority of housing, the vast majority of affordable housing and the jobs and investment that go with that. We need to help larger developers and we need to help smaller developers, and they both need different strategies to help them. However, essentially, this major issue of viability that I have discussed in here will hit larger developers, and it will hit smaller developers, I would

imagine, even more.

[275] **Lindsay Whittle:** With respect, you mentioned Caerphilly earlier on, where the town has expanded to the point of gridlock at peak times and then you mentioned that Pontlottyn is where all the land is available. That is because Pontlottyn, the Heads of the Valleys and the Valleys towns where people like me live are dying on their feet. We want young people to come there, but people do not buy land banks up there, because it is not viable. The four and five-bedroomed houses are always built within easy distance of this capital city. That is not acceptable. The local builders, the local electricians, plasterers, carpenters or whatever do not get a look in, or if they do, they are subbies on a lower wage, if they can get in with the big builders. I do not accept this 'poor old big builders'—

[276] **Mr Price:** With respect, you are—

[277] **Lindsay Whittle:** They are not helping the Welsh economy.

[278] **Mr Price:** You are agreeing with me. I agree with you. We need more development in the areas that have difficulty attracting it—in areas like the Valleys areas and the top end of Caerphilly and the top end of Rhondda Cynon Taf. I am from Treherbert; I know what it is like in Treherbert, and we need more development and house building there. The way to do that is not by clobbering larger developers or adding more cost and viability issues; we need to make it easier for people—larger developers and smaller developers—to build houses. That is what we need to concentrate on.

[279] **Christine Chapman:** Peter, would you like to ask your question, and then I will come on to Jenny?

[280] **Peter Black:** You say that the developers are not holding large land banks, but there are substantial areas of land in Wales that have planning permission, but have not been developed. Is it the case, therefore, that the owners have that permission and that they are speculating to try to sell the land? How would we then get that land released for building in that situation?

[281] **Mr Price:** That is quite an issue. I sit on the joint housing land availability study process across Wales, and there are a lot of landowners speculatively renewing outline applications in order to keep their land live, as it were. Again, it comes back to the issues of viability, practicality and regulation. A lot of that stops development coming forward.

10.45 a.m.

[282] If a landowner has a piece of land that has planning permission already that a developer could pick, they would pick it up. There is a lot of work that has already been done there in terms of getting that planning permission. There are obviously separate issues that stop that land from coming forward and, in the vast majority of cases, those separate issues are things to do with viability, cost and the planning process.

[283] **Peter Black:** So, if a developer acquires land that either has permission or he or she gets permission for it, what is the turnaround time from that planning permission to the start of development, on average?

[284] **Mr Price:** On average at the moment, I think that it is about two years. That is the concern that we have with the planning process—in terms of starting and putting a spade in the ground, some of our members say that it can take up to two years. Our members want to get on site as quickly as possible to start building those houses. If they get planning permission on a site, what they want more than anything is for the local authority and the

developer to work together to get a spade in the ground as quickly as possible.

[285] **Peter Black:** Is it just the planning process that is the barrier, or are there other barriers that basically stop you getting the property completed and sold?

[286] **Mr Price:** The planning process is tied up with the issue of viability. Viability and planning are inextricably linked, so there will be discussions over section 106 agreements, or the discharge of conditions, and things like that. There are a lot of hoops that you have to jump through in the planning system, but certainly viability and planning are linked together, and are causing a massive break on development at the moment.

[287] **Christine Chapman:** Richard, did you want to answer the point? I will call Jenny then.

[288] **Mr Jenkins:** There is not quite the dichotomy that we think there is here. There is room for both. It is just that, at the moment, we think that it is skewed too far towards the volume house builder, because the financial situation is as it is. The problem is the same as we were talking about with procurement—the problem is resource. How do we resource planning authorities to put out tranches, because it takes time to put out land in small tranches? It is much quicker, easier and more efficient to just put a whole new, big tranche out. It is the same with procurement. In order to make procurement available for smaller builders, there have to be more procurement people, and they have to be better trained. It is about the resource.

[289] **Jenny Rathbone:** We have got—

[290] **Christine Chapman:** Jenny, you also wanted to ask about the utilities.

[291] **Jenny Rathbone:** How strategically do the utility companies work with you? When you have identified land, and you have planning permission, and you want to move ahead quickly, how good is the engagement with water, gas and electricity, which are essential requirements on a new site?

[292] **Mr Bogle:** I would say that it is fairly poor. I am not sure if you are aware, but we have been doing industry surveys on utility connection services since 2005, and what we have seen is very little improvement from the utilities—water, gas and electricity—across that time period from 2005-06 to 2011, which was the last time that we did the report. It is about levels of service, the cost of quotes, transparency and design issues—so, the person who implements the design on the site not being familiar with it, and having to go back and familiarise themselves with it, which adds delay to the project. It has got to the point now where clients have felt that the utilities issue should have been sorted, and so they refuse to bear the cost. That is an additional cost that the developer has to bear. Between poor customer service and poor communication, and high cost that is essentially not negotiable, and not transparent, and the delays between the different stages of the project, it is not a great service, getting a utility connection to a development.

[293] **Jenny Rathbone:** So, the so-called market in gas and electricity, and the competition, is just not working.

[294] **Mr Bogle:** They are vertical monopolies. They are vertical regional monopolies, so there is not a huge amount of competition. You do have independents that have access, but they do not have access to what you might call the last mile—that still needs to be connected by the incumbent, and so there still needs to be communication with whoever was the original utility company. There is not true competition, because the independents do not have control over the whole process.

[295] **Jenny Rathbone:** So, this is a significant issue that may require legislation.

[296] **Mr Bogle:** It may. Ofgem is definitely looking at that. Ofgem has not the powers to do very much, and the time frames within which Ofgem works are not really satisfactory for a development.

[297] **Leighton Andrews:** May I just ask on this, if you allowed anybody and everybody to connect the last mile, is there not a danger that you would end up with a lot of cowboy suppliers who do not pay attention to health and safety issues?

[298] **Mr Bogle:** I am not saying that this is necessarily a problem. I am just saying that, because they do not have control of the whole process, there is that delay. So, while it is being touted as competition and being encouraged by the incumbents to say, 'Look, we've encouraged all of these people in', it does not have the level of control that you would expect with true competition.

[299] **Jenny Rathbone:** One of the key issues that I would want to focus on is climate change, and how well you are designing in the energy efficiency that, increasingly, people who want to buy a house want to see. A report in the *Western Mail* yesterday said that people were prepared to pay more for a house that will cost less to heat. Is that something on which the energy companies are engaging with you in terms of the way that you design your houses to make them fit for the twenty-first century?

[300] **Mr Jenkins:** I do not think that the energy companies are engaging on this very much. The problem that we have is making it available to the market. Most people, if they have the money and they are in the market for a house, will want it built to their spec. If we are talking about volume house building, those house builders are going to build a static supply of housing that will meet certain criteria, usually whatever the legal requirement is. That is why it is being moved up to code 4, et cetera. However, there are lots of people out there, who, if they are buying an individual house, will have it designed and built to their spec—

[301] **Jenny Rathbone:** The key issue here is, surely, the volume house builders, because otherwise we are going to have to go back and retrofit.

[302] **Mr Jenkins:** Exactly.

[303] **Mr Price:** On the point that Richard made, not everyone can afford to have a house designed and built to the spec that they want. We have a national policy in Wales that requires all development to reach the highest standards of responsiveness to climate change across the UK at the moment. Our members are abiding by that, and they are building homes to that level. The report in the *Western Mail* said that people were willing to pay more, but one of the issues is that mortgage companies will not value a house more because of its sustainability credentials. So, it is very difficult. It is a fact. Mortgage companies value the house based on the location, the size of the plot, the number of bedrooms, et cetera. Sustainability credentials do not come into the mind of a valuer when valuing a house, so it is very difficult, if you are looking for a mortgage with a 5% or 10% deposit, to suggest that you would like to pay more, because you will not get the finance for it. That is one issue that we have in terms of trying to facilitate, or offset the cost of, building more sustainable homes. I am not sure that driving up house prices in order to build more sustainable homes is the right way forward, anyway.

[304] Going back to utilities, you raise a couple of important points. We work with Welsh Water on a regular basis, and we have quite a good working relationship with it. Our members have had quite a lot of issues in the past in terms of delays, connections and things

such as that. We are trying to resolve those as best we can, but it would really help if the utilities companies, particularly Welsh Water, got involved in the process of site identification at an earlier stage. If we knew upfront where improvements were going to be made in Welsh Water's asset management programme, for example, and local authorities knew upfront where those improvements were going to be made, we could, perhaps, identify land a bit more cohesively than we do at the moment. I do not know whether my colleague would agree, but I think it would be much more helpful if those companies got into the process at a much earlier stage, and started gauging at an earlier stage, in order to identify the problems and what needs to be sorted before development comes forward.

[305] **Mr Bogle:** Many of our members do, and that is why it has been raised as an issue. It does not matter when they come into the process. Whether they identify things late or early in the process, they still encounter the same problems with utilities with regards to service.

[306] **Peter Black:** Is there a role for the planning authority there? We have this issue in Swansea, where a new sewage works is being built in Gowerton in a few years' time, but the planning authority has started to grasp the nettle and started to work with Welsh Water and to be more proactive. Welsh Water reinvests its profits, but it is, essentially, a private company. Is there not a role for the planning authorities there to engage with these companies to try to make that planning process part of the local development plan, rather than just allocate the land?

[307] **Mr Price:** I think so. From what I understand of the way in which Welsh Water is funded in terms of its asset management programme, if Welsh Water needs funding to upgrade a site, it has to be allocated in a plan. So, when local authorities are working towards adopting the plan, it is very difficult for Welsh Water to say, 'Okay, we'll allocate resources to this site', because it has not yet been adopted, so it is a bit of a chicken-and-egg situation. However, certainly, more engagement by local authorities, utilities—all of us—at an earlier stage, should help the process.

[308] **Gwyn R. Price:** Richard, you touched on the 20,000 empty properties that could be brought back onto the market. The Welsh Government is giving assistance towards that, and I was wondering whether you have found that a help at all.

[309] **Mr Jenkins:** Yes. The scheme that was run last year, which I mentioned in my paper, was very helpful, I think. More of that is what we need; more help to bring those houses back into use. I think that we have to offset about 20%, you see—we have to somehow or other offset that 20% VAT element. We have to find a way of doing that, but I do not know what that is, because—unfortunately, from my point of view—the Welsh Government, unlike the Isle of Man, cannot vary VAT. So, we have to find a way around that to make refurbishing perfectly good properties more viable economically.

[310] **Gwyn R. Price:** So, that was a help last year, and more of that is what is required.

[311] **Mr Jenkins:** Definitely. As I say in my paper, more of that, yes. It did work well.

[312] **Christine Chapman:** I apologise to Members, as there were some other questions we wanted to ask, but I think that we are going to have to write to you now.

[313] **Leighton Andrews:** May I ask just one question very briefly?

[314] **Christine Chapman:** Be very specific, because we need to move on.

[315] **Leighton Andrews:** Which issue is really holding up supply most? Is it what you said about the three areas of regulation that bring in additional costs, or is it the availability of

mortgage finance?

[316] **Mr Jenkins:** Mortgage finance.

[317] **Mr Price:** The two go hand in hand. One—mortgage finance—is a short-term issue, and the other is a long-term issue. If we sort out the mortgage finance issue—which I think we will, because the Minister is working really hard on doing that, and we are working very hard with him to do that—then the long-term issues of viability will still affect us just as much. So, we need to sort both of those things out.

[318] **Christine Chapman:** Paul?

[319] **Mr Bogle:** Finance.

[320] **Christine Chapman:** I know that there were other questions, and I apologise to Members, but if Members tell our clerk the questions they wanted to ask, we will write to the witnesses so that we can get a fuller picture. I thank the three of you for attending, because I think it has been a very interesting session. We do appreciate that. We will send you a transcript of the meeting, when available. Thank you for attending.

[321] We will take a short break now before our next witnesses come in.

*Gohiriwyd y cyfarfod rhwng 10.57 a.m. ac 11.08 a.m.
The meeting adjourned between 10.57 a.m. and 11.08 a.m.*

Ymchwiliad i'r Rhwystrau i Adeiladu Cartrefi yng Nghymru—Sesiwn Dystiolaeth 2 Inquiry into Barriers to Home Building in Wales—Evidence Session 2

[322] **Christine Chapman:** I welcome Keith Edwards, director of the Chartered Institute of Housing Cymru and Julie Nicholas, policy and public affairs manager for the Chartered Institute of Housing Cymru. You have sent us a paper, which we have read. So, if you are happy to do so, we will go straight into questions. I will start. Can you tell me, broadly, what challenges are faced by housing developers in Wales?

[323] **Mr Edwards:** From our perspective, we have always promoted what we call a 'one housing system approach', in respect of the fact that no one sector can deliver the number of homes that we need. We note that the Minister yesterday, in questions, said that the Government is broadly on target to achieve its 7,500 affordable homes target, which we welcome, but, of course, there is a much bigger issue of unmet need. The most recent Welsh Government statistics suggest that something like 14,200 properties are needed to meet unmet need. That is likely to grow if, year on year, we fail to do that. So, the basic challenge is obviously to produce enough homes for people to live in.

[324] That then links in to the four issues that Sue Essex recently identified in a report that she did on the links between housing and planning. It is about making sure that we have adequate resources. We are very pleased that the Government has seen fit to increase some of the social housing grant opportunities open to registered social landlords over the last period in contrast to what is happening in other parts of the UK. On the issue of land, I know that you have taken evidence from the Home Builders Federation just before us, and it will have flagged up the issue around land in particular. With regard to the planning system itself, we have good opportunities, with major planning legislation planned at the same time as housing legislation, to do something about that. There is also the curse of Nimbyism; the fact is that people do not want to see development in their communities. I am a resident of Cardiff and

we are seeing quite a lot of that in the local press at the moment.

[325] **Christine Chapman:** We are going to look at the things you have mentioned specifically, Keith, and I know that Members want to come in on those. However, I will move on from that for now. Do you think that there are particular challenges facing social landlords who are developing new homes?

[326] **Mr Edwards:** Yes. It is that sort of contradictory thing really: people want homes for their children and for their families, but they do not necessarily want them next to them. It is a perennial problem for housing associations in particular, but, of course, we now have the prospect, probably for the first time in a generation, of local authorities building again, with the recent Treasury announcement of the housing revenue account subsidy settlement. One of the things that we always flag up is the success of the rural housing enabler programme, which has been running for about 10 years now and which has been very helpful in breaking down some of the barriers within communities, and with social landlords, and making sure that affordable housing gets built in rural communities. We think that there are a lot of lessons that could be learnt in other contexts.

[327] **Peter Black:** Keith, in your evidence, you question whether there is any evidence to suggest that a better regulated housing system with higher standards will decrease development. We have just heard evidence from house builders who say that there are two main barriers. One is the availability of mortgage finance in the short term, and in the longer term, they talk about the additional cost of regulation. Do you disagree with that view?

[328] **Mr Edwards:** Our approach is slightly different. We think that you need to have a mature and adult discussion around standards and supply. I think it is the nature of the housing industry: it tends to take short-term decisions based on maximising shareholder value. From our perspective, the Chartered Institute of Housing Cymru wants to take a much longer-term view of issues like viability, for example, because the history of housing is littered with examples of housing that was viable at the time of building, but, actually, over 10 to 15 years ends up being demolished. So, from our perspective, we understand the concerns of costs and additional costs, but we think there ought to be a partnership approach between Government, the private sector and others, and work done on the longer-term issues around viability.

[329] **Peter Black:** You could do that in terms of public sector housing, because, clearly, that is publicly subsidised housing, but when a developer is trying to turn a profit—and I accept that it is a short-term consideration—are you saying that the Welsh Government should provide a subsidy to enable them to do that with these additional regulations?

[330] **Mr Edwards:** We would not call for a direct subsidy going to private developers; I think that is fraught with a number of issues. However, I think that there are opportunities to bring private developers into the tent, if you like. The last Government—the One Wales Government—rightly focused on delivering 6,500 affordable homes. We have always argued that, while that is an important part of a housing strategy, you need to take a cross-sector or a one-housing-system approach. So, I think the issue is about a distinct ask of the sector, but also a clear offer from Government in terms of what it can do to work in partnership with the private sector.

[331] **Ms Nicholas:** Housing consequences for families, in terms of equality, anti-poverty measures and health, are not restricted to social housing tenure; they go across the board.

[332] **Peter Black:** I understand that there are wider social issues and I am absolutely signed up to that agenda. What I do not understand is how you get private sector developers, whose main motive is to make a profit, on board with that system when their profits are being

eroded by additional costs.

[333] **Mr Edwards:** There are a couple of examples that I would cite. One is the Welsh housing quality standard, which is an enhanced standard relative to the decent homes standard in England. We have had no difficulty in getting large contractors to adapt their business model to deliver community benefits, for example, through that system. You could argue that that is an additional cost, but the developers have got on board with that programme. For a long time—and I know Peter will have been involved in this in his formative years—we had lifetime home standards for new social housing. So, quality does not have to be the enemy of volume, if you like, but we have to find creative ways and have a genuine dialogue in terms of how the sectors can work together.

11.15 a.m.

[334] **Rhodri Glyn Thomas:** Gadeirydd, ymddiheuriadau am fod yn absennol—roeddwn yn rhoi tystiolaeth i bwyllgor arall drws nesaf yng nghyd-destun fy ngwaith ar Bwyllgor y Rhanbarthau. **Rhodri Glyn Thomas:** Apologies for my absence, Chair—I was giving evidence to another committee next door in the context of my work on the Committee of the Regions.

[335] Mr Edwards, rydych eisoes wedi galw am gael targedau ar draws y sectorau yng Nghymru o ran adeiladu tai. Fodd bynnag, yn eich papur, rydych yn nodi bod y diwydiant yn Lloegr yn mynd i gyfeiriad gwahanol; rydych yn cyfeirio'n benodol at lai o reoleiddio yn Lloegr. A ydych yn meddwl bod y pwysau y mae'r rheoliadau yn dwyn ar y diwydiant yng Nghymru yn mynd i beri problemau i gyrraedd y math hwn o darged? Mr Edwards, you have already called for targets across sectors in Wales in terms of building houses. However, in your paper, you indicate that the industry in England is moving in a different direction; you refer specifically to less regulation in England. Do you think that the pressure that the regulations bring to bear on the industry in Wales is going to cause problems in reaching this kind of target?

[336] **Mr Edwards:** I think that there is a really important issue in relation to housing markets. I am sure that other people will have said that markets do not respect administrative boundaries, so we have to be aware in Wales of policy initiatives that will have an impact on the people who are making decisions on the other side of the border. However, I hold the strong view that markets are better servants than masters. What the Welsh Government is trying to do, which is an approach that we support and one that we advocated before it was official policy, is to adopt a systems stewardship approach, where the Government uses a full range of its powers in terms of legislation and regulation.

[337] It also about nudging organisations to come to the table to be active long-term partners. Wales is fashioning a distinct approach to housing policy, and we wholly endorse that. Again, I think that regulation does not have to be the enemy of development and growth. If we use regulation intelligently, the opportunity is there to use it as an incentive. However, I repeat the point that it is not just about the Government asking what sectors can deliver; there must also be an offer that is distinct and viable for all sectors.

[338] **Rhodri Glyn Thomas:** Rydych yn rhedeg y prosiect i2i ar ran Llywodraeth Cymru; mae'r prosiect hwnnw'n sôn am y problemau ymarferol sy'n wynebu cwmnïau bach. A ydych yn gallu esbonio sut y gall y cwmnïau llai hyn—yn hytrach na chwmnïau bach—gystadlu wedyn â chwmnïau mawr neu fwy yn y sector hwn? **Rhodri Glyn Thomas:** You run the i2i project on behalf of the Welsh Government; that project notes the practical problems facing small companies. Can you explain how these smaller companies can then compete with large or larger companies in this sector?

[339] **Mr Edwards:** Again, my main experience is around the Welsh housing quality standard programme, because that is where i2i cut its teeth; it continues to support organisations across Wales. It was a £3 billion investment programme—the previous Minister for regeneration was instrumental in setting up the project in the first place—and the key issue for us was that if we were spending that amount of money in some of the most socially disadvantaged communities in Wales, why would we not want to get the maximum economic benefit?

[340] However, as well as making opportunities available for jobs and training for local people, it became pretty obvious that what we did not want was a white-van syndrome of people coming across the border, doing the work and then going away at the end of the day. So, from very early on, we developed an approach to supply-chain development, in partnership with people like Value Wales and local housing associations, that did two things. First, it tried to give small and medium-sized enterprises the opportunity to bid, and to skill them up to be able to bid, for contracts in the first place, so that they were on a level footing with some of the bigger organisations. Secondly, where organisations were unsuccessful in winning the tenders, it looked at ways of ensuring that the contractors then had a relationship with local businesses and that a synergy was developed between them.

[341] **Rhodri Glyn Thomas:** Diolch yn **Rhodri Glyn Thomas:** Thank you very fawr iawn. much.

[342] **Lindsay Whittle:** We talk about building housing, and the types of housing that we build, whether it is in the private or public sector. However, it is all about the availability of land, because we are not building land anymore. Do you think that enough public land is being made available for house building? We heard from previous witnesses, in what was quite a controversial session, about land banking by private sector developers. I think that that is a significant problem in Wales. What can the Welsh Government and local authorities together do about that?

[343] **Mr Edwards:** In terms of public land availability, Rhodri Morgan, when he was First Minister, signed the land protocol and announced it at our conference in, I think, 2006; we welcomed that. We would probably have to say that we are disappointed with progress in terms of the impact that that has had to date. We would support any measures to expedite the release of public land for housing. One thing that Julie and I were talking about beforehand was that, in terms of NHS land, for example, if you leave the decision to accountants, you will sometimes get into difficulty regarding what represents best value for the public purse. However, the health service is not just about dealing with problems of ill health; it is also about promoting health and wellbeing. Housing is obviously central to that. We need to be much more robust in terms of how we get that public land out there, if you like, to ensure that we can build homes.

[344] In terms of what we do with land banking, we are quite interested in the current use-it-or-lose-it concept. It should not be the business of speculators or people who are just holding out to see whether they can get the best price. There is a lot to be said for a planning system that is time-limited and puts sanctions in place if people do not use the land in the fashion for which it was allocated over time.

[345] **Lindsay Whittle:** Thank you for that. I love your analogy on health service land. You are right: you can build all of the new hospitals in the world, but if Mrs Jones or Mr Edwards is still living in a cold, damp house, what is the point, given that they will go back to that cold, damp house when they are better? It is a fantastic analogy. I speak as a former housing professional.

[346] **Mr Edwards:** You are never a former housing professional.

[347] **Lindsay Whittle:** No, you never are. I am still a member of your institute.

[348] **Ms Nicholas:** I would like to come in here. This is about linking housing to demographic challenges for older people as well. It is in the interests of health to look at housing.

[349] **Peter Black:** I wish to go back to what you said about planning and about the use-it-or-lose-it concept. Planning applications have a five-year life, and they then have to go for renewal. Are you saying that we should reduce that life from five years to three, or are you saying that we should not renew?

[350] **Mr Edwards:** I would not want to be prescriptive at this point. However, given that we have planning legislation coming before the Assembly, and that we have two major housing Bills coming before the Assembly, there are opportunities to have that dialogue across the piece.

[351] **Peter Black:** It would be helpful if you could make a proposal that we could look at.

[352] **Mr Edwards:** Yes, that is a fair point. We would be inclined to look at ways in which you could disincentivise people from land banking: waiting for opportunities and stalling the process of making land available.

[353] **Peter Black:** What sort of ways would you advocate?

[354] **Mr Edwards:** At this stage, Peter, rather than make policy on the hoof, we would probably want to go back to think about that in some detail to be honest.

[355] **Mike Hedges:** Do you know of any examples of land having been given planning permission, but not having been developed within five years and then not getting planning permission subsequently? I have never come across that situation, and I would expect that, even if the local authority turned an application down, it would be decided that—either on appeal or in a judicial review—if it was suitable before, it would be suitable again.

[356] **Mr Edwards:** We are talking about a broader issue here. We would not want to have people speculating on land and using it as a block, if you like, in terms of delivering sufficient homes. I am not a planner, and I know that people have had experience of the planning for a number of years in local government, as well as in the Assembly context. I do not feel able to answer that in any great detail, to be honest.

[357] **Mike Hedges:** What you are suggesting is a good idea; I just do not think that it is practicable.

[358] **Janet Finch-Saunders:** With the private sector expressing concerns about the viability of new housing development, what can it learn from the development of social housing?

[359] **Mr Edwards:** This is a very simple one. Social housing providers have to take a much longer-term view. Historically, they may not have done that, to be fair. We have had to demolish some of the stock that was built in haste, which seemed to be the right idea at the time. That is the main thing, but this is difficult, as I said earlier on. If you are a developer, you are probably looking at maximising shareholder value, and you are looking at relatively short-term decisions. So, my plea would be to get into a longer-term dialogue with the private sector over what it can contribute to viability in a much broader sense.

[360] **Janet Finch-Saunders:** Is viability a threat to the development of affordable housing?

[361] **Mr Edwards:** There always has to be a trade-off between quality and quantity, and we accept that. We have called for an honest debate about that. We also agree with the previous Minister that improving standards does not have to be the enemy of growth. If you do it in partnership, you can achieve both.

[362] **Janet Finch-Saunders:** What could the Welsh Government do to mitigate any threats to the viability of development?

[363] **Mr Edwards:** I think that it is about a long-term relationship. I would refer back to the Welsh housing quality standard programme, where the private sector was initially sceptical of what the ask was going to be from housing associations and local authorities. However, breaking down barriers, building up trust and being in it for the long term are probably the best things that could happen.

[364] **Leighton Andrews:** As tenants in a number of authorities have voted to create social enterprises or co-operatives to run their housing, they have had access to significant sums of private finance. Do you think that there is more of a role for those housing mutuals in further development, beyond their existing areas of expertise?

[365] **Mr Edwards:** That is a good point. People may well be aware of this, but the social housing sector has transformed hugely in the last five or six years, and 11 local authorities have now transferred their stock to housing associations. Four of those are community housing mutuals, but all of them have vestiges of mutualism about them, in terms of how their governance structure is organised. We have long said that these new organisations offer fantastic opportunities for ongoing partnerships. They are very clearly accountable to the local community. They have a strong relationship with the local authorities that they grew out of, if you like, and they, potentially, have quite a lot of land, because quite a lot of land is transferred in the transfer agreements. We see them as active partners in further opportunities to build housing, going forward.

[366] **Leighton Andrews:** Specifically, do you think that there is an opportunity there for long-term finance? You think of the £119 million, which I think it was, for RCT Homes and something similar for Newport City Homes. Do you think that they are able to attract further finance of that kind on a long-term basis, given the availability of sovereign wealth funds wanting to get steady returns and so on?

[367] **Mr Edwards:** Funnily enough, we are doing a study with an organisation at the moment. We were talking to one of the lenders just this week, and I think that the experience of lenders, with transfers, has generally been a very positive one. Their reputation, in the way that they have used the resources, has proved pretty solid and pretty good. The other thing that is happening at the moment—Leighton will be aware of this—is that a lot of the RSLs are coming to the end of the WHQS programme. They are inevitably asking the question, ‘What do we do next?’ If you look at RCT Homes, you will be aware of the relationship that it has with Bellerophon Partnerships, the private developer, in terms of looking at intermediate rental, and it is looking at exporting that model across the border to England.

[368] **Peter Black:** My understanding of Welsh Government policy is that it is focusing the development of resources on a number of housing associations, which may not include the LSVT bodies. Would that require a change of Government policy, in terms of encouraging them to give out the land they have?

[369] **Mr Edwards:** My understanding is that—again, I am not privy to the Minister’s current thinking—there was certainly a moratorium on development while the WHQS programme was being delivered by the stock-transfer organisations. However, I know from personal experience that a number of transfer RSLs are looking actively at how they might build new affordable homes. The issue of a grant is obviously a Welsh Government decision.

[370] **Peter Black:** It is also a local authority decision.

[371] **Mr Edwards:** Yes.

[372] **Mike Hedges:** I think that we should have a discussion in five years’ time when interest rates have gone up, and then we will be able to see exactly where some of these stock-transfer companies are. However, my question is: what role could co-operative housing play in stimulating the housing market in encouraging home building?

[373] **Mr Edwards:** Julie has just completed a research project for the Welsh Government, commissioned by the Wales Co-operative Centre. Again, I do not want to say things that people will be fully aware of, but it is possibly worth restating that the previous Minister had a target of 500 co-operative homes during the lifetime of this Government. What we found during the project was quite surprising. We thought that that was a little ambitious, but we found that—we can make a link available to this, as we have the report—there was a thirst for co-housing initiatives, which is partly due to philosophical ideas, because there are people out there who believe in the co-op concept, and partly because people are interested in any option that can deliver them a housing solution at the moment.

11.30 a.m.

[374] **Ms Nicholas:** The research that we did was in three areas—in Carmarthen, Cardiff and Newport—looking at the beginnings of the development of co-operative housing. It was a piece of consumer research and we were going in not knowing what the outcomes would be. People are very interested in the community aspect that comes along with co-operative housing. We did find some barriers for some people in terms of co-housing, which is one type of co-operative housing, which is for people who are owner-occupiers, equity-rich but cash-poor and want to move into co-housing. Perhaps their property is no longer fit for them, so they want to move into a co-housing building, or series of buildings, with people. There was a barrier there for them. We also found that people living in the private rented sector at the moment were also overrepresented in the people that came forward to take part, who were also very interested. They may not be able to afford an outright mortgage, but they can afford to put in some equity. The idea of the community was overwhelming, because of the principles of co-operatives, which was dragging people in.

[375] **Mike Hedges:** It is very popular in Europe and North America. It is not only at the bottom level in places like North America. In New York, very wealthy people live in co-operatives.

[376] **Ms Nicholas:** Absolutely. I think that it represents 0.6% in the UK.

[377] **Mike Hedges:** There are more in Vancouver than in the UK.

[378] **Ms Nicholas:** Yes.

[379] **Christine Chapman:** I think that Gwyn wanted to come in on this.

[380] **Gwyn R. Price:** Is the Welsh Government’s approach to home building too focused on affordable housing, to the detriment of the whole market?

[381] **Mr Edwards:** No, we do not think so. In fact, I think that the more recent comprehensive policy statements—the Minister’s statement in December 2011, and the White Paper that came out last year—endorse this system stewardship approach, which is cross-sectoral and something for which we have argued for a long time. Having said that, if you look at some of the pressures around things like welfare reform and where accessibility is at its worst, if you like, you will see that, inevitably, it is the people lower down the ladder who suffer the most. So, we welcome a strong focus on affordable housing and the fact that we are doing better in terms of capital programmes than they are doing in England in preserving those programmes. We would want to see affordable housing remain a key focus.

[382] **Ms Nicholas:** There are successful programmes going on, such as the empty homes strategy and all of the work that is going on in the private rented sector at the moment.

[383] **Christine Chapman:** Peter, did you want to come in?

[384] **Peter Black:** Yes. I should not be asking this question, as I am a strong advocate of the Help to Buy scheme, but do you think that there are risks in the Government stimulating the market through schemes like Help to Buy? For example, could that push house prices higher?

[385] **Mr Edwards:** I was at an event a couple of weeks ago where a prominent economist said that Help to Buy has singularly managed one thing that has never been achieved before, which is to unite all economists in scepticism about its effectiveness, whatever part of the spectrum they come from. So, there are definitely dangers that we stoke up demand again, which is why I think that the Welsh Government needs to take a distinct approach. I would say that it needs to be very much focused on the lower end of the housing market, if you like. It needs to look at first-time buyers and it needs to see it as a tool that has to complement the other tools at its disposal.

[386] **Peter Black:** Would the same dangers apply to a scheme like NewBuy Cymru, if that ever got off the ground?

[387] **Mr Edwards:** Again, I think that it is about intelligent intervention in the market. As you say, it is a case of better servants than masters. I think that there is a distinct approach to those sorts of issues. It is not seen as the panacea, perhaps, in the way that it is regarded in other parts of the UK. It seems part of the solution. I think that I would advocate that being the—

[388] **Mike Hedges:** Surely, there is a balance between the amount of money available and the number of houses available. If more houses became available, that would balance it out. The only problem is that house builders are not building enough. You can put more money in the system, but all that it does is inflate prices.

[389] **Mr Edwards:** I think that you are absolutely right. It is one of the basic laws of supply and demand.

[390] **Leighton Andrews:** I go back to the potential of the housing mutuals and the other transfers to registered social landlords, if you like. Have you done any research, or has anyone else in the sector, such as CHC, done any research that you are aware of, that looks at their capacity for future house building?

[391] **Mr Edwards:** I do not think that there has been any research, as such, but the research that we have just done on co-operative housing grew out of a stakeholder group that has been established by Welsh Government, which includes nine pilot RSLs that are looking

at their opportunities to build, if you like. I do not want to do them disservice, but at least one transfer RSL, Bron Afon Community Housing, is involved in that process. However, there has been no comprehensive piece of work done on it, to my knowledge.

[392] **Christine Chapman:** Are there any other questions? As there are no more questions, I thank—

[393] **Mr Edwards:** May I say one thing? It is really to make the point—I assume that Peter’s Mobile Homes (Wales) Bill went through yesterday—

[394] **Peter Black:** It has another Stage.

[395] **Mr Edwards:** Just to say that we were pleased. We know that it is likely to go for Royal Assent shortly, and we congratulate Peter for the work that he has done on that, both in terms of the real need for some intervention in that area and in terms of demonstrating that we can fashion Welsh legislation. We wholeheartedly support it.

[396] **Christine Chapman:** I thank both our witnesses. We will send you a record of the meeting, so that you can check it for accuracy. Thank you very much for attending.

11.36 a.m.

**Ymchwiliad i’r Rhwystrau i Adeiladu Cartrefi yng Nghymru—Sesiwn
Dystiolaeth 3
Inquiry into Barriers to Home Building in Wales—Evidence Session 3**

[397] **Christine Chapman:** I welcome you both to the meeting this morning: Ian Davies, managing director of Fforest Timber Engineering Ltd, and Wyn Pryce, director of INTEGRA. Thank you both for attending. You have sent a paper to the Members, which we have read, and this will help us in our inquiry into barriers to home building in Wales. So, if you are happy, we will go straight into questions.

[398] I want to start with a very broad question. Can you tell me what you believe is the current state of the home building sector in Wales and what challenges you are facing? I know that Members want to specifically go into some of the areas, so if you can outline those briefly to start off, and then Members can ask you about some of the issues. So, what do you think that the main challenges are at the moment?

[399] **Mr Pryce:** On the current state of the market in Wales—it has been pretty much the same for about five years, actually—I will draw an analogy. You have all played Monopoly and know the Monopoly board; imagine a Monopoly board where every second step told you to return to ‘Go’. That is what it is like to be a builder, a developer or a manufacturer in Wales at the moment. We have already put down the reason why: the constraints that are on companies in Wales related to the construction industry. Effectively, what we are asking is for the Assembly to do whatever it can to remove those constraints. The speakers so far this morning have all covered the relevant points of planning, regulation, finance and mortgages. You have gone over this time and again. We are trying to make a living, living within these constraints. We feel that a lot of these constraints can be removed by the Assembly. We agree that there are some that are UK-wide, but between you and the MPs et cetera, you can take action.

[400] **Christine Chapman:** Let us explore some of them in detail. I think that Peter wanted to come in next.

[401] **Peter Black:** Yes. If there was one thing, Wyn and Ian, to restore market confidence that the Welsh Government could do, what would that one thing be?

[402] **Mr Pryce:** Immediately, it is to replicate the scheme in England. That has got to be a big win situation, at the moment.

[403] **Peter Black:** That is the mortgage scheme.

[404] **Mr Pryce:** The mortgage scheme, yes. From direct experience, last autumn, when the scheme for Wales was announced—to be implemented this spring—we lost a number of sales. This spring, that scheme was pulled. I know—again, from direct experience—that my younger son, who lives in Reading, is taking advantage of the scheme in England. It is horses for courses, mind. The scheme in England, as you know, is up to £600,000. It is a totally different ball game in Wales, and I think that one or two of you have commented on the level that it should be. I have no argument with that at the lower end. We have to get our young people into housing, and we have to give people who are on low incomes the chance to get into housing. It is very difficult for young people to save the amount of money that is required to get a reasonable mortgage—20% or thereabouts. In this day and age it is so difficult. That is a quick-win situation.

[405] **Leighton Andrews:** What is the average number of homes that your company has built over the last 10 years?

[406] **Mr Pryce:** I am here representing the initiative, and we have a number of members of various sizes, ranging from the two or three-man type of builder—

[407] **Leighton Andrews:** What is the average number of homes your members have built over the last 10 years?

[408] **Mr Pryce:** I honestly cannot say, but I can tell you—

[409] **Leighton Andrews:** Has it gone down?

[410] **Mr Pryce:** It has gone way down compared to 10 or eight years ago—

[411] **Leighton Andrews:** Could you give us some evidence for that?

[412] **Mr Pryce:** You have seen the figures in table A, for example, on Wales. To replace the stock now—and this is debatable—you know what the stock is like in Wales. Yes, there have been a lot of new houses built, but, generally speaking, the stock in Wales is still old housing, in the Valleys, and so on. There is an argument to refurbish those, but, generally speaking, I think young people these days—again, from direct experience—want new. We are falling way below what we need just to maintain the stock level.

[413] **Leighton Andrews:** What do you estimate as the typical profit margin on a two-bedroomed home?

[414] **Mr Pryce:** A two-bedroomed home, or a three-bedroomed home?

[415] **Leighton Andrews:** Two.

[416] **Mr Pryce:** Semi-detached, or terraced?

[417] **Leighton Andrews:** An average; you pick.

[418] **Mr Pryce:** If you take into account land, services, et cetera, at the moment, I doubt—. The price of a house now has been reduced to £125,000 effectively, for what we are talking about, because of stamp duty. People are very reluctant to pay more than £125,000 and have to pay stamp duty. Therefore, it has been brought down to that level. So, on £125,000 it is break even. Land, services, infrastructure—it is break even.

[419] **Leighton Andrews:** I think that those of us who represent Valleys seats would have a different view on this, but, anyway, there we are. I would just like to understand from you what you think is the critical factor here. In the next five years, is it availability of mortgage finance or the plans the Welsh Government has to improve the safety and sustainability of housing?

[420] **Mr Pryce:** Sustainability is, to a certain degree, 90% built-in at the moment, with the new, modern building regulations, insulation, et cetera. As Ian will tell you—he will explain to you exactly what he does. Do you want to do that now, because it is part of the answer?

[421] **Christine Chapman:** On Leighton's question.

[422] **Mr I. Davies:** We are the manufacturers of houses, and we do not have much to do with the development side of things, so I cannot really answer the questions on that side of things. What we have seen from a manufacturing point of view is that probably about 80% of our order book in 2007 was linked directly to the housing industry, and, over the last five years, that has fluctuated a lot. Some months it was, again, strong on housing, and, at other times, it was more towards public sector buildings. We have built a lot of schools in timber frame over the past five years, which I think has really kept us going. If we had had to rely on housing, we would be a much smaller company now. We are quite happy with all the regulations with regards to the sustainability issues. We can all keep up with that; that is fine. My only real issue as a manufacturer is, to be cost-effective and efficient, we want a level of consistency, and we are not seeing that at all. Given that the big picture in the UK is that we are constantly being told that we are still not building enough houses, I find it hard to comprehend how it fluctuates so much, even on a monthly basis.

[423] **Leighton Andrews:** I do not understand. What fluctuates on a monthly basis?

[424] **Mr I. Davies:** How many houses we produce.

[425] **Mr Pryce:** Because of demand. Demand fluctuates.

[426] **Leighton Andrews:** That is not a regulatory issue, though, is it?

[427] **Mr I. Davies:** What we see sometimes is that sites will go on stop or will be held up sometimes because of regulatory issues.

[428] **Mr Pryce:** Demand does dictate production. So, timber frame, joists, trusses.

[429] **Leighton Andrews:** So, what you need is consistency, the ability to plan forward and to understand what the regulatory environment will be. That does not necessarily mean that you do not want regulation.

[430] **Mr I. Davies:** We do not have a particular problem with regulation. It helps us, in some ways, to understand what the future holds.

[431] **Mr Pryce:** May I just come in here? Timber frame, modern insulation and modern techniques—the new type of Kingspan, et cetera—are highly efficient. However, on the question of the numbers of houses, which obviously affects the business, to have consistency,

to know effectively what the market is going to be—does this call for a national plan? That is, a national plan of house building in Wales over the next five years, in the medium term, and then up to 10 years, and set out to achieve that. It is not to say, ‘We need—’, but, ‘We are going to build 10,000 as a minimum’, and there are ways to do that.

11.45 a.m.

[432] **Mike Hedges:** I have three questions that lead on from some of the answers that you have given. You said that £125,000 was the break-even value. Can you tell me what land value that is based on?

[433] **Mr Pryce:** The land value there is approximately 20%.

[434] **Mike Hedges:** So, you are talking about a £25,000 land value.

[435] **Mr Pryce:** That is it.

[436] **Mike Hedges:** My second question is this: why is self-build so much cheaper?

[437] **Mr Pryce:** Your own time, No. 1. You know, a carpenter now is, what, £20 to £25 an hour? A brickie is—

[438] **Mike Hedges:** There are, however, people as useless as I am engaging in self-build, where they employ everybody to do everything—or virtually everything—and yet they seem to be able to build something a lot bigger than a two-bedroomed house for slightly less than £125,000.

[439] **Mr I. Davies:** I would just say that you have not built a profit into that, have you?

[440] **Mike Hedges:** No, the break-even figure is £125,000. There is no profit on £125,000, we were told earlier.

[441] **Mr I. Davies:** Well, covering overheads, then.

[442] **Mike Hedges:** Sorry, I—

[443] **Mr Pryce:** You have office overheads and stuff like that, then you have preliminaries, insurances, engineering fees—there is a lot that goes into that figure.

[444] **Mike Hedges:** I will not take that any further. The other—

[445] **Mr I. Davies:** May I add just one more thing on that point? The other difference between self-builds and professionally constructed buildings is that you do not really have to obey health and safety laws. A self-build does not have the same level of restriction that a large manufacturer or builder would have. A lot of money goes into that as well.

[446] **Mike Hedges:** I would say that, if you are employing people on-site, they are covered by the same rules, but I do not want to follow that up; I could keep us going for far too long.

[447] The other thing is: do you see the advantage of renewal areas, such as the Hafod renewal area in my constituency, where a whole area has been renewed?

[448] **Mr Pryce:** You have done some work there, at Hafod, have you not?

[449] **Mr I. Davies:** No.

[450] **Mr Pryce:** Again, it is all part of planning, basically, is it not? If we had a plan to renew an area, to regenerate it, that could involve house building as well as industry and what have you.

[451] **Peter Black:** Can you give us some more detail on specific problems associated with utility providers and the costs that you incur in connecting properties to the utility networks?

[452] **Mr Pryce:** To be frank, the utilities—gas, water, electric—charge for laying in services, and if that were regulated, or if somebody took a long, hard look at that, they would probably find that the profit involved runs into hundreds of per cent. Typically, the service costs for a small house should be in the region of, say, £2,500, but it more often than not ends up around the £10,000 mark. This is because they can charge whatever they want; there does not seem to be any regulation on the connections, and this needs looking at carefully. It needs some sort of inquiry.

[453] **Peter Black:** Do you subscribe to the previous evidence, which described them as having a vertical monopoly?

[454] **Mr Pryce:** It is. You know, they privatised these organisations, what, 20 years ago, but they still operate as cartels or, as you said, in a monopoly situation.

[455] **Peter Black:** Okay, thanks.

[456] **Christine Chapman:** Gwyn is next.

[457] **Gwyn R. Price:** How are you both, all right? Could you give some examples of small builders that are at a disadvantage when compared with higher-volume national housebuilders?

[458] **Mr Pryce:** You have got an example, Ian, have you not?

[459] **Mr I. Davies:** I have a generalisation; I cannot name one. In Swansea, for example, I am not aware of any medium-sized developers building in the range of 100 to 150 houses a year. I do not know of any. We trade all along the M4 corridor; we have offices in Swansea, Caerphilly and Reading, and our customer base from Reading is almost exclusively house builders in that bracket. I could name Clearview Homes, Acorn Homes, Millgate Homes—you know, people like that. There is no equivalent in Swansea or anywhere around Swansea.

[460] **Mr Pryce:** Where there are large housebuilders, who have had a large site for many years—in some cases, over 10 years—they can still build houses according to the planning rules and the building regulations from that time. So, they are still building houses—they are building them out on estates of, say 200 houses, and they are building the last 50. However, the regulations for insulation, the windows and so on can all be over 10 years out of date, whereas, of course, Ian's company, which is building timber frames and trusses, does so to modern regulations. He does not get orders from big house builders. Therefore, in a way, he is not able to manufacture and construct according to the old regulations, which is cheaper. However, the competitors, the big companies, have their own timber frame people, have they not?

[461] **Mr I. Davies:** They do. Persimmon Homes has its own timber frame manufacturing company, as does Taylor Wimpey, and a few others have strong links with the bigger timber frame manufacturers.

[462] **Gwyn R. Price:** This comes back to the level-playing field scenario again.

- [463] **Mr I. Davies:** It is a significant financial advantage.
- [464] **Peter Black:** They are not based in Wales, are they?
- [465] **Mr I. Davies:** No.
- [466] **Peter Black:** So, they are building in Wales and not using local companies.
- [467] **Mr I. Davies:** Correct.
- [468] **Mr Pryce:** Ian has just said that it opened an office in Reading two or three years ago.
- [469] **Mr I. Davies:** Three years ago.
- [470] **Mr Pryce:** Where is all of your growth coming from at the moment?
- [471] **Mr I. Davies:** Reading.
- [472] **Lindsay Whittle:** Is that purely because the proximity to London?
- [473] **Mr Davies:** Yes.
- [474] **Lindsay Whittle:** We are comparing apples and pears a bit, to be fair.
- [475] **Mr Pryce:** Also, there is the scheme that has been going in England for a while.
- [476] **Jenny Rathbone:** The new environmental standards ought to be a way of enabling innovative small new builders to come into the market. What are the barriers to that happening? We clearly need innovation, given the environmental challenges that we all face. Why is it that this is not an opportunity for innovative, small builders?
- [477] **Mr Pryce:** Finance, for one. You try to start up in business these days, with the amount of money that you need to get a land bank and so on: you will not get a penny from the banks. You can forget about enterprise guarantee schemes and all of that; you just cannot get them in Wales. Dylan Jones-Evans has just reported that now; his work confirms that.
- [478] There is innovation. I know of a company with brilliantly designed houses that have under-floor heating and use insulation about 5 cm thick that is equivalent to insulation about 30 cm thick 10 or 15 years ago. We have some of the biggest window companies in Wales—in Swansea, for example. They are using innovative changes in glass, such as the high U-value glass windows, among other things. So, yes, they do use these and people are innovative in the way that they design those into the building. So, it is being done.
- [479] **Jenny Rathbone:** However, the examples you give are of builders who have managed to do that, so why do you think others have not been able to break through into the market?
- [480] **Mr Pryce:** Well, if it is a start-up situation, and, given increased unemployment, especially in the private sector, over the last five years, if people become unemployed who were employed in the building sector and want to start up on their own, they have to start very small, but they still have the planning issues. They take one step forwards, and then two steps forwards, and then they return to ‘go’.

[481] You have to experience it to know what it is like dealing with local authorities. Again, with the planning issues, there seems to be a culture of obstruction by the local authorities. Rhodri will know this from his neck of the woods. There was an incident recently on one particular site. If you can imagine a cul de sac type road with a turning head, so that vehicles can reverse, in order to improve access to the second phase, this particular company wanted to reverse that and have a mirror image. So, instead of it facing north, they wanted to have it facing south to give a better swing to a road. They consulted the highways department, which had no problem with it, approved it and said that it could go ahead. We had been advised that we did not have to go for planning permission and that the highways department permission was fine.

[482] However, the solicitor of one of the people buying a property there double-checked with the local planning department in Carmarthen and we were told that we had to go and see it. We went to see it and we were told that we had to have new planning permission—a variation on it, but a new planning permission. However, it was not just that; because we were moving from one side of the road to the other side of the road, we had to put two planning permission applications in—two variations—because they said that it was affecting both sides of the road. There is no flexibility or common sense; they are just obstructive. I will come to talk to you about that, actually, Rhodri.

[483] **Jenny Rathbone:** That sounds pretty desperate. What impact, if any, has the Welsh Government's emphasis on Welsh businesses getting a larger slice of the action in our procurement policies had? Has that made any difference to the way in which local authorities view local businesses?

[484] **Mr Pryce:** The procurement situation has improved for larger companies, as can be seen from medium to large-sized companies doing very well in the last four or five years. For smaller companies, Peter, I think you have been talking about splitting the big contracts awarded by the Welsh Government, and giving a chance to small and medium-sized companies. The new property development fund is also welcome; it is only £10 million, but it is a start. I am not quite sure whether it is open for new business start-ups.

[485] **Christine Chapman:** We are not sure about that. We could find out.

[486] **Mr Pryce:** Having said that, £10 million does not go far in the scale of things, but it is a start.

[487] **Christine Chapman:** Do you have any other questions, Jenny?

[488] **Jenny Rathbone:** In terms of the financing, could more be done to encourage these new, innovative companies to come forward?

[489] **Mr Pryce:** You have innovation in manufacturing, and new and different products being brought on board. That is happening all the time, and it is mainly driven by the bigger companies, especially European companies, which seem to be years ahead of us. For British and Welsh construction, timber-frame construction came in about 10 years ago. People were very conservative with regard to construction techniques in the UK—it was block and brick construction for years, then insulation, Rockwool and stuff like that, came in. Smaller companies just have to follow, basically.

[490] **Jenny Rathbone:** In terms of getting finance for innovation, how well are small companies working with local universities, who may be developing state-of-the-art innovation in building techniques?

[491] **Mr Pryce:** I honestly do not know of any real examples in Wales.

[492] **Mr I. Davies:** As my colleague said, we tend to follow rather than lead in terms of innovation. If your question is directed specifically at house building, small companies are more likely to innovate. Getting hold of the land is probably their biggest problem.

[493] **Jenny Rathbone:** So, land is the biggest problem as far as you are concerned.

[494] **Mr I. Davies:** Yes, I feel that.

[495] **Christine Chapman:** Going back to Jenny's earlier question about the new techniques around environmental standards and sustainability, is there an issue with skills and training for smaller builders with the new techniques? Is that a barrier or not?

[496] **Mr I. Davies:** As a result of the recession, it has been in the background. If we were to build more houses, the cracks would begin to show. A build-up of skill shortage is already starting, especially on new techniques and products.

[497] **Mr Pryce:** With regard to skills, it is difficult, even in the recession, to get hold of a really good carpenter or bricklayer. If you are good, you will get the work. A lot of people out there are not so good.

[498] The other point is about land value. The biggest landowner in Wales is the public sector. There are examples of land values that should have come down in an open market situation in the last five years, but they have not. For example, I know of a pretty good scheme in Swansea where the land was valued at x in 2008, but it will not budge. That scheme has been put on hold for four or five years, but the local authority will still not budge to reduce it, because it can afford to sit on it.

[499] **Rhodri Glyn Thomas:** Felly, yn ymarferol yn y cyd-destun hwnnw, beth all Llywodraeth Cymru ei wneud i ryddhau mwy o dir cyhoeddus er mwyn sicrhau bod y prisiau yn cael eu hadlewyrchu yn y farchnad? **Rhodri Glyn Thomas:** So, in practical terms in that context, what can the Welsh Government do to release more public land to ensure that prices are reflected in the market?

12.00 p.m.

[500] **Mr Pryce:** First, I do not know whether it still exists, but the old Welsh Development Agency used to have a land register; I do not know whether the Assembly has that. It needs to be analysed to see what land is available where and how it can be marketed along the lines of—not being a huge site—one that we quoted a few weeks ago up in Pontypridd for 2,000 houses. There are small pockets. There are still pockets of WDA land round and about. Network Rail still has huge areas of land. This could link in with regeneration schemes, especially for inner-city-type areas alongside the railways et cetera. There is a lot that can be done. It is just a matter of getting the information and delivering. Do not announce a scheme and then, six months later, pull it. That scheme has to be got off the blocks.

[501] **Rhodri Glyn Thomas:** Ochr yn ochr â hynny, pe bai modd rhyddhau peth o'r tir cyhoeddus hwn a'i osod ar y farchnad, a bod hynny wedyn yn effeithio ar bris y farchnad am dir, beth y gellid ei wneud yn ymarferol i gynorthwyo'r cwmnïau llai hyn o ran eu galluogi i brynu'r tir hwnnw a datblygu arno? **Rhodri Glyn Thomas:** Side by side with that, if it was possible to release some of this public land and put it on the market, and that then affected the market price for land, what could be done practically to assist these smaller companies to enable them to buy that land and develop it?

[502] **Mr Pryce:** If it is Government or local authority land, I think that it is possible for the legals to be drawn up in such a way that they would only pay for that land when they had a sale. I have done a very similar scheme myself with factories, so that is a legal possibility. So, on the sale, the solicitor will automatically transfer £30,000 or £40,000, or whatever the value of the land is for a semi-detached house or whatever, to the owner of the land at the time. You would be legally granted the authority to build. Then, when the sale is made, you get your money, which is quite fair.

[503] **Lindsay Whittle:** I think that you have opened a whole can of worms there. It sounds exciting and, in difficult times, maybe you have to take on exciting plans. What steps can the Welsh Government and all local authorities take to increase housing development? To rephrase that question, in view of your last answer to Rhodri, I do not believe that it is a Welsh Government problem or a local authority problem; it is everybody's problem. Unless we work together, we have had it. We need to regenerate the whole of Wales. I have been a councillor for 38 years and a leader of a council for nine years, and I have great difficulty sometimes coming to this place, because they are not working together. I think that that is a shame, because if we do not work together, Wales is not going to benefit. As an ex-housing professional, I believe that, if we revitalise the housing market, we will revitalise the entire economy. I am a big fan of the Labour Government of 1945 to 1951. [*Interruption.*] I really am. How can we all work together to revitalise the economy, in particular in house building?

[504] **Mr Pryce:** There is no magic one thing—

[505] **Lindsay Whittle:** You mentioned the national plan.

[506] **Mr Pryce:** We have talked about a variety of things this morning; there is the financial side, the planning side and the regulation side. It has to be brought together somehow with a plan but, again, the key thing about any plan is how to deliver it. You have to work out a way to deliver at a national, regional and local level. I totally agree with you about house building through to manufacturers; the multiplier effect of house building is quite dramatic. Not only that, it answers the social problem of our young people. There are too many young people—and by young, I mean 30 and younger—who are out of work and lacking a future. They are possibly married and have children, but they are without a place to stay. Effectively, to some extent, we have gone back to—relating to my family experiences—after the war and throughout the 1950s. You referred to the Labour Party—

[507] **Lindsay Whittle:** The Labour Government of 1945-51, which had this fantastic house building programme. All that we are building in Wales at the moment are educational establishments. Everywhere I drive—certainly in south Wales—there are brand new educational establishments. They are fantastic and well-needed, I am sure, but if the young people do not have anywhere to live, what is the point?

[508] **Mr Pryce:** Look at the constraints we have mentioned here. Remove those constraints, in terms of finance, and spread what little money is available from the public sector so that it makes the maximum impact. I think that you can do that fairly quickly; get this scheme off the blocks.

[509] **Christine Chapman:** Mike, do you want to come in on this quickly?

[510] **Mike Hedges:** I have two very brief questions. First, we heard from Richard Jenkins earlier that he thought that there was benefit in local authorities identifying sites for between five and nine properties; anything above 10 is in the local development plan, while anything under that figure is not. Do you think that it would be a good idea to identify those sites?

[511] Secondly, you talked about what is effectively a shared profit scheme in terms of

development between a local authority and builders. Would you like to see that being developed further? You said that local authorities had deferred payment for the land; that is effectively a shared profit scheme, is it not?

[512] **Mr Pryce:** Yes; legally, it is quite sound. They are deferring that income until a future date, when the house is sold.

[513] **Mike Hedges:** I think that it is called a shared profit scheme, rather than a deferred income scheme.

[514] **Mr Pryce:** Somewhere in the back of my mind, I seem to recall that there is also an equity participation scheme involving local authorities. All of these things need to be looked at. Sorry; what was the other point?

[515] **Mike Hedges:** The sites for between five and nine properties.

[516] **Mr Pryce:** I think that that ties in with the land. If you had a register of available land in an area with an LDP, or whatever, I think that that would determine whether you might find a site for one house; you might find a site for five or beyond. It is important that we get this land availability register.

[517] Rhodri, on your point about whether this would affect the price of land, it should bring the price of land down. However, it should also release money for the public sector, which needs money.

[518] **Janet Finch-Saunders:** Can you expand on your concerns regarding the negative impacts on Welsh house builders caused by the cancellation of the Welsh Government's mortgage guarantee scheme, NewBuy Cymru?

[519] **Mr Pryce:** That scheme was announced last autumn, around September. The market had started to pick up to some degree last summer. Suddenly, people saw the chance to have 20% of the purchase price, interest-free for five years. The scheme was announced for launch in the spring. However, it was then pulled in the spring. The impact, therefore, was that people had deferred their purchases over the winter period, and they are now deferring them again until whenever it is hoped that the scheme will be implemented; does anybody know when that will be?

[520] **Peter Black:** There is no date at the moment.

[521] **Mr Pryce:** It is a double whammy, between that and the announcement about stamp duty that took effect from 1 April. That dropped prices; if people were selling a house for £135,000, they were making £10,000, which allowed them to go on from there. However, at a selling price of £125,000, they are only breaking even.

[522] **Janet Finch-Saunders:** If the Welsh Government chooses to bring forward a scheme to replace NewBuy Cymru, what form should that scheme take, to gain the support of developers?

[523] **Mr Pryce:** We are not in the same position as England. They go up to £600,000, which effectively means giving a five-year interest-free loan of £120,000.

[524] **Janet Finch-Saunders:** What scheme would you like to see in place?

[525] **Mr Pryce:** We have to think about the market. You have a new buyer—a young couple or family. In Wales, bringing it down to the £250,000 mark would be about right.

[526] **Janet Finch-Saunders:** The Government may be bringing back the scheme that was stopped. Was that scheme okay, or do you feel that there is more that could be done?

[527] **Mr Pryce:** On the face of it, I think that it was okay. It went up to £250,000 or £300,000, did it not, Peter?

[528] **Peter Black:** It was around that, yes.

[529] **Mr Pryce:** That was okay. It will generate interest, and will, hopefully, build a tempo that should go through the economy.

[530] **Christine Chapman:** That is helpful, because we now have an idea. Do Members have any other questions?

[531] **Jenny Rathbone:** I am interested in what, if anything, you are doing with the housing mutuals that grew out of the stock transfers from local authorities. Are they suitable organisations for you to work with in partnership?

[532] **Mr Pryce:** Do you mean housing associations?

[533] **Jenny Rathbone:** Yes.

[534] **Mr Pryce:** They are, effectively, mutuals. We do not have much involvement with them. In west Wales, housing associations have been picking up sites that have been half built. It has happened extensively in the Ammanford area, and they have done well as a result of that, from a financial point of view, because they are picking up sites at half the value and then just finishing them. The housing associations seem to be still quite active throughout the recession, not in housing but more in student accommodation and such like.

[535] **Jenny Rathbone:** So, you do not see that there is a role for them, because they do not have the same need to deliver the profits for the shareholders.

[536] **Mr Pryce:** They can still accumulate incredible amounts of cash on their balance sheets, but I do not know what they do with that and how they distribute it. I feel that, in Wales, the small to medium-sized builder can play a major role, in the ways that we have discussed, to get the economy going. The people and the skills are out there, in the main. There are a lot of skills that are being lost, with people in their 50s and 60s who have been forced into retirement on what are difficult pensions these days, and who could be returned to the industry, directly in work, or directly in relation to skills through teaching youngsters on apprenticeship schemes. I think that that has been lost.

[537] **Janet Finch-Saunders:** Why was the NewBuy scheme pulled? I am sure that I have seen somewhere that even some of the housing fraternity and the developers—or was it purely down to—

[538] **Rhodri Glyn Thomas:** That is not a question for him.

[539] **Christine Chapman:** You do not need to answer this.

[540] **Mr Baxter:** The UK Government's help-to-buy scheme was launched just before NewBuy Cymru, and the industry decided to put things on hold, supporting the UK scheme.

[541] **Mr Pryce:** The industry was all for it.

[542] **Peter Black:** They could not get enough finance companies on board to make it viable. They needed to have two or three finance companies behind it, and they could only get one.

[543] **Mr Pryce:** Do you mean mortgage companies?

[544] **Peter Black:** Yes.

[545] **Mr Pryce:** So, the banks were not—

[546] **Peter Black:** They are working on that, as I understand it.

[547] **Christine Chapman:** We will get the Minister in next week. So, we can ask that question then, because it is obviously not for the witnesses to answer.

[548] **Mr Pryce:** I do not think that Finance Wales can do retail mortgages, effectively.

[549] **Christine Chapman:** If there are no further questions, I thank Wyn and Ian for coming in this morning. It has been an interesting session and useful to our inquiry. We will send you a record of the proceedings, so that you can check it for accuracy. Thank you very much for attending this morning. We are very grateful to you.

12.13 p.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod**

**Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Remainder of the Meeting**

[550] **Christine Chapman:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[551] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12.13 p.m.
The public part of the meeting ended at 12.13 p.m.*