

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 1 – Senedd

Meeting date: 7 March 2019

Meeting time: 09.30

For further information contact:

Gareth Price

Committee Clerk

0300 200 6565

SeneddEIS@assembly.wales

Private pre-meeting (9.30–9.40)

1 Introductions, apologies, substitutions and declarations of interest

2 Paper(s) to note

(Pages 1 – 8)

Attached Documents:

EIS(5)–07–19(P1) Letter from the Department of Transport to Committee

EIS(5)–07–19(P2) Letter from North and Mid Wales Trunk Road Agency

EIS(5)–07–19(P3) Letter to Ofcom from Chair



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3 Barriers facing small home building firms: Large home building firms

(9.40–10.40)

(Pages 9 – 30)

Tim Stone, Managing Director, Redrow Homes South Wales

Jane Carpenter, Planning Director, Redrow Homes South Wales

Daryl Jones, Head of Land, Persimmon Homes East Wales

Mark Harris, Planning & Policy Advisor for Wales, Home Builders Federation

Attached Documents:

EIS(5)–07–19(P4) Research Briefing

EIS(5)–07–19(P5) Evidence from Home Builders Federation

Break (10.40–10.50)

4 Barriers facing small home building firms: Planning

(10.50–11.50)

(Pages 31 – 36)

Ian Stevens, Policy and Research Forum, Royal Town Planning Institute

Gareth Davies, Director of Development, Coastal Housing (representing Community Housing Cymru)

Simon Gale, Service Director Planning, Rhondda Cynon Taf Council Planning

Attached Documents:

EIS(5)–07–19(P6) Evidence from Royal Town Planning Institute

EIS(5)–07–19(P7) Evidence from Rhondda Cynon Taf Council

5 Barriers facing small home building firms: Welsh Water

(11.50–12.20)

(Pages 37 – 39)

Ian Wyatt, Director of Business Customer Services, Welsh Water

Attached Documents:

EIS(5)–07–19(P8) Evidence from Welsh Water

6 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from item 7 and 8

Private de–brief (12.20–12.25)

7 Scoping paper: Improving Public Transport White Paper

(12.25–12.30)

(Pages 40 – 43)

Attached Documents:

EIS(5)–07–19(P9) Scoping paper: Improving Public Transport White Paper

8 Draft report: Autumn Rail Disruption

(12.30–12.45)

(Pages 44 – 77)

Attached Documents:

EIS(5)–07–19(P10) Draft Report: Autumn Rail Disruption



Department
for Transport

Lara Date
Second Clerk
Assembly Commission Staff
National Assembly for Wales
Cardiff Bay
CF99 1NA

From Managing Director, Passenger Services
Peter Wilkinson

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0207 944 4188
E-Mail: peter.wilkinson@dft.gov.uk

Web site: www.gov.uk/dft

Our Ref:
Your Ref:

29th January 2019

Dear Lara,

Evidence to the Economy, Infrastructure and Skills Committee

I understand you are the clerk in respect of the investigation by the Economy, Infrastructure and Skills Committee into the railway performance in 2018. If this is incorrect, please can you pass this on to the right official.

The Department for Transport (the Department) has examined the transcript of the evidence session held on 5th December at:

<http://record.assembly.wales/Committee/5150>

and on the basis that the Department was mentioned a number of times during that session, requests that it be able to submit written evidence in response.

In particular, oral evidence was presented asserting that, during the period when the railway franchise was operated by Arriva Trains Wales (ATW), rolling stock was a matter for the UK Government (which the Department does not accept) – and that failings in undertaking such responsibilities contributed to the poor performance of the railway after Transport for Wales Rail Services (TfWRS) took over in autumn 2018.

How responsibilities were divided between the Department and the Welsh Government during the ATW franchise was agreed in a Joint Parties Agreement (JPA) entered into on 16th March 2006, which became operative on 1st April 2006.

A copy of this agreement is separately enclosed which the Committee can review, but the key point that the Department would wish to highlight is that the document describes the different rights and liabilities under the ATW Franchise Agreement and that for the majority of them they are divided according to the service area, of which there were three – ‘Wales-only Services’ and ‘Welsh Services’ (i.e. those that cross the border) and ‘English Services’.

The ‘Assembly’ (i.e. the Welsh Government) was responsible for the first two categories and the ‘Secretary of State’ (i.e. the Department) was only responsible for the latter. Schedule 1 lists the franchise responsibilities that are divided by area and these include ‘Train Services’ and ‘Provision of Capacity’ (i.e. rolling stock).

In addition, clause 10.1 confirms that the ‘Assembly shall be responsible for the management of the Franchise...’ and that a separate agreement transferred the funding attributable to Wales-only and Welsh Services to the Welsh Assembly Government from 1st April 2006. Subsequently, from 1st April 2008, this funding transfer ceased to be a matter for the Department but was built into the ‘baseline’ (i.e. block grant from HMT) of the Welsh Assembly Government. A copy of this funding agreement is enclosed for completeness.

This division of responsibilities in the JPA was followed in practice, as a number of changes to the ATW rolling stock fleet took place during the 12 years of the JPA, which were agreed and funded by the Welsh Government using its discretion under the devolution arrangements as it saw fit.

Finally, it is worth noting that, whilst performance can always improve, ATW was consistently one of the better performing train operators for punctuality, especially given the size of its network.

It is therefore pleasing to see that since the problems of the autumn, the efforts of TfWRS have restored its train services to their normal position of being among the best performing in the country. On 28th January, for example, TfWRS achieved 94.0% of all services arriving within five minutes of the timetabled arrival time (the 'Public Performance Measure'). The moving average since the 5th January stood at 95.3%, with only two (much smaller) operators in the whole of Great Britain doing better than this.

I trust this information is helpful, but if yourself or the Committee require further clarification or evidence to be provided, then please contact my Deputy Director, Eddie Muraszko (eddie.muraszko@dft.gov.uk or 07769 960264). I would also be grateful to receive a copy of the Report when it is published.

I am copying this letter to Simon Jones, Director, Economic Infrastructure at the Welsh Government.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Wilkinson'.

PETER WILKINSON



Asiant Cefnffyrdd Gogledd a Chanolbarth Cymru North & Mid Wales Trunk Road Agent

Uned Rheoli Cefnffyrdd / Trunk Road Management Unit

Gofynnwch am/Ask for: David Cooil

☎ 01286 685182

📠 01248 674975

✉ davidrobertcooil@nmwtra.org.uk

Ein Cyf / Our Ref: DRC/DME/nhw

Eich Cyf / Your Ref:

National Assembly for Wales

Cardiff Bay

Cardiff

CF99 1NA

Email: SeneddEIS@assembly.wales

15 February 2019

For the attention of Mr Robert Lloyd-Williams

Deputy Clerk to the EIS Committee of the National Assembly for Wales Economy, Infrastructure and Skills Committee

EIS Committee Meeting 5th July 2018 - State of Roads in Wales

Dear Mr Lloyd-Williams,

I refer to your e-mail in Appendix 1 below and apologise for not corresponding with you sooner.

In relation to the evidence provided by Owens Group on 21st June 2018 and subsequently by the Trunk Road Agents to the committee, please note that we have undertaken the following actions:

- As requested by Lee Waters AM, David Evans (NMWTRA) contacted Mike Colbourne on 13th July. It transpired that Mr Colborne had recently left the organisation and there was instead a dialogue with Mr Andy Williams, the Group Fleet Manager of Owens Group. Mr Williams was not familiar with the issues raised by Mr Colbourne in the 21st June transcript and agreed to respond after further investigation. Mr Williams responded on 30th August that he was not able to provide any example of Highways England information received and referred NMWTRA to their contact at the Road Haulage Association [RHA].
- NMWTRA contact RHA on 30th August who confirmed that discussions had taken place with Welsh Government officials and that the scope of information required related to the provision of the publically available www.traffic-wales.com link to RHA.
- After discussion with Welsh Government officials, a liaison meeting was arranged between RHA, Freight Transport Association [FTA], NMWTRA, Traffic Wales Service representatives and Welsh Government officials. This was held at the Traffic Management Centre, Conwy on 12th October. There was constructive discussion around existing relationships in respect of trunk road projects, streetworks, abnormal load movements and an agreement on further co-operation and

communication between the parties and South Wales Trunk Road Agent. The meeting included a visit to the control room to see Traffic Officer operations.

- d) Subsequently, the Traffic Wales Service representatives and Welsh Government officials have met with the Welsh Freight Council at their meeting in Cardiff on 24th January 2019.
- e) An updated Traffic Wales website has now been implemented, see www.traffic.wales/

Please do not hesitate to contact me if you require further information.

Yours sincerely,



Dave Cooil
Head of Service - Trunk Road Agency

Cc:

Mr Colin Jones & Mr James Gibson, Welsh Government

Mr Richard Jones, SWTRA

Appendix 1

From: Economy, Infrastructure and Skills Committee | Pwyllgor yr Economi, Seilwaith a Sgiliau

<SeneddEIS@assembly.wales>

Sent: 05 July 2018 15:13

To: Evans David Mark (CEFNFFYRDD) <davemarkevans@nmwtra.org.uk>; Hughes Ian Kenrick (CEFNFFYRDD) <iankenrickhughes@nmwtra.org.uk>; R.W.Jones@southwales-tra.gov.uk

Subject: EIS Committee Meeting 5.07

Dear all,

Following on from this morning's meeting please find below the details of the person who gave evidence to the committee from Owens Group.

Mike Colbourne - Compliance Manager [Owens Group](#)

01554 754 465

Kind regards

Robert

ROBERT LLOYD-WILLIAMS

Dirprwy Clerc | Deputy Clerk

Pwllgor yr Economi, Seilwaith a Sgiliau | Economy, Infrastructure & Skills Committee

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Croesewir gohebiaeth yn Gymraeg neu Saesneg

We welcome correspondence in Welsh or English

Dylid ystyried unrhyw ddatganiad neu sylw a geir yn y neges hon fel un personol ac nid o reidrwydd yn fynegiant o safbwynt Cynulliad Cenedlaethol Cymru, unrhyw ran ohono neu unrhyw gorff cysylltiedig

Any of the statements or comments made above should be regarded as personal and not necessarily those of the National Assembly for Wales, any constituent part or connected body.

Eleanor Marks
Director of Ofcom
Caspian Point
2 Ffordd Caspian
Cardiff
CF10 4DQ

15 February 2019

Dear Eleanor,

Consultation: Award of the 700 MHz and 3.6-3.8 GHz spectrum bands

I write with reference to my previous letter dated 24 October 2018 and your response dated 12 December 2018 (both attached) and Ofcom's current consultation on the award of the 700 MHz and 3.6-3.8 GHz spectrum bands.

I note in the current consultation that the revised proposal for Wales's geographic coverage obligation remains at 83%, as it was in the March proposal. In response to calls to increase these coverage obligations in Wales and Scotland, Ofcom states in the current consultation document that "Such an approach would significantly raise the overall cost of the coverage obligations to operators, increasing the risk that the coverage obligations go unsold."

However, following the Committee's work on this area, it remains of the view that the current proposals for Wales's geographic coverage obligation are not ambitious enough. The weight of evidence outlined in the consultation document - including the Welsh Government, the Ofcom Advisory Committee for Wales, the NFU and the CLA - supports a higher coverage requirement. As the CLA states the original targets for Wales (and Scotland) were "insufficient and would reinforce and entrench economic divide between the nations". It should be noted that EE already has 83% geographic coverage of 4G services in Wales, demonstrating the lack of challenge posed by the proposed 83% target in the current proposals.



The proposal for Wales entails a smaller uplift than is proposed in Scotland (7 percentage points compared to 12), and still leaves geographic coverage in Wales far behind Northern Ireland and England. We call on Ofcom to increase the geographic coverage obligation for Wales and create a more equitable coverage across the UK.

The Committee would also like to know what Ofcom's estimates are for a) the number of additional premises that would be able to receive 4G services in Wales, and b) the number of additional base stations that would be built in Wales, under its current proposals. I look forward to receiving your response.

Yours sincerely,

A handwritten signature in black ink, reading "Russell George". The signature is fluid and cursive, with a long horizontal stroke at the end.

Russell George
Chair, Economy, Infrastructure and Skills Committee



Agenda Item 3

Document is Restricted

Evidence from the Home Builders Federation

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

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

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

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

WELSH SPECIFIC ISSUES

- **Land and Planning**
 - Although Wales has had a separate planning system to England since 2015, we have received no evidence from members that this has made it any easier for SME builders in Wales.

- The definition of major development being set at 10 dwellings means that a developer looking at a 10-unit site is required to meet the same planning requirements and submit the same raft of planning documents as a development of 100 or 1000 units. Most national house builders now concentrate on sites of more than 50 units and have the resources (often in house) to deal with the ever growing and more complex planning requirements. Raising this threshold (even just in urban areas) to 20-30 units could immediately make the planning process simpler for SMEs.
- Pre-Application Community Consultation is required on sites of 10 units or more in Wales. This process not only adds time to the planning process but is also costly, members have also advised that they have not seen any real benefit from the process and it has certainly not resulted in a quicker overall planning decision which was identified as one of the main reasons for its introduction. Raising this threshold to 20-30 units could immediately make the planning process simpler for SMEs.
- The Local Development Plan Process – Wales operates in a ‘Plan Led System’ and is where land suitable for housing development is identified, however, this process is considered difficult for SMEs to engage in. The current round of LDPs started in 2005 and we still don’t have 100% plan coverage across Wales, with LDP’s taking on average 8 years to adopt.
- LDP’s in most cases do not allocate land for sites of less than 10 units and instead rely on these coming forward as ‘windfall sites.’ There has been a move to allocation of much larger sites and less of them with recent plans. The way in which the LDP process engages with SMEs should be considered as well as how both policies and allocation can be provided that assist SMEs.
- Although Planning fees have not increased in a number of years, many of the services such as pre-application discussions are now being charged for. Remove additional planning charges for applications below the suggested new threshold of 20-30 units

➤ Finance

- We understand that the introduction and growth of the Development Bank of Wales and the various funding streams it offers has been seen as a positive in Wales and has helped a number of members. However, we understand that this is less likely to assist with new entrance to the house building market and is currently more geared to assisting the growth of

established companies. Our understanding is that the current funds also don't cover any of the upfront costs such as planning which are becoming a much larger proportion of the overall development costs.

➤ Red Tape

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

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

- The availability and effectiveness of Welsh Government (and other) support and finance for small home builders. – No comment other than those made about Development Bank of Wales above.
- The availability of a skilled construction sector workforce – Currently it is generally recognised that there is a shortage of skilled labour in a number of the key house building trades. Wales has a limited pool of labour and in both North and South Wales much of this labour has the temptation and ability to work in England as well.
- Access to suitable development sites - This has been covered in the planning section above. We would add that as part of HBF's involvement in the current affordable housing review we are aware that the availability of Welsh Government (WG), Local Authority and other public sector land, has been looked at. If this review concludes that there are ways this land could become more easily available for housing development, we consider that this could apply to private SME developers as well as just for affordable housing.
- The Planning system and the extent to which it actively facilitates developments by small home builders - This has been covered above in the planning section above.
- The dominant position of a small number of big firms – We do not consider that this directly impacts on the ability of SMEs to build houses, however,

indirectly it could be seen that both planning and finance are aligned to larger developers as these are currently the main providers who can deliver the much needed housing, both private and affordable, in Wales.

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

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

CASE EXAMPLE

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

The company started trading in 1995 undertaking small housing developments and employing typically three or four people, being totally reliant on subcontract labour and outsourcing professional services. In the early 2000s we developed planning expertise and concentrated on securing Option Agreements and bringing larger sites through the planning and appeal process. Whilst we developed some of these sites, primarily we sold sites on to other house builders. Over the following ten years there became more emphasis on the company building sites out as the availability of working capital and funding opportunities grew. By 2013 we were building approximately 60 dwellings per year and employed in the region of 50 site/office staff. Whilst some were on a subcontract basis many trades had worked solely for the company over several years and were

totally dependent of our house building programme. We were seen as a reputable local company and only developed in the one County sourcing local labour, materials and professional services. Most of our £12M turnover was spent in the immediate local area. 2014/15 saw the company pushing for growth as there was great demand for our product. The fact that most of the land allocated in the Councils LDP was not genuinely available was not ideal, but as there were other contingency and reserve sites available and a safeguarding position to bring other sites forward which the Council felt were suitable to meet acute local needs and to rectify an identified housing land shortage.

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

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

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

We obtained a strong funding line with a high street bank which reflected our good performance with them for over ten years. We developed our new headquarter offices and built a strong team to take the company forward. Our existing land supply was predicted to be developed with final completions in March 2018. We had every reason to expect that the planning applications submitted in 2015/16 and 17 would bring productivity forward and grow the company as planned. However substantial planning delays meant that we only received consent for two of the sites in Oct 2018. The third site which was submitted to the Council in July 2016 (2.5 years ago) has ended up at appeal and has been in the hands of the Planning Inspectorate for 15 months. We understand this time scale is partly due to a number of considerable changes in planning legislation [temporary dis-application of para 6.2 of TAN1 and the publication of PPW10] which we could not have planned for.

Typical of many SMEs, we do not hold land ready for development and cannot risk relying on wholly speculative developments as we have to plan and obtain planning consents in a sequential manner. We consider that we did everything correctly and therefore pursued sites that were either allocated or which the Council had positively steered us towards due to the land shortage in the County.

All three sites were subjected to substantial and unnecessary delays, particularly in relation to unreasonable Highway requests and delays. A consequence of this was that the company will have no house completions and money from sales from March 2018 to June 2019 (15 months) despite the company gearing up for growth based on reasonable assumptions on planning consents coming forward. This has been particularly damaging not only in terms of our growth plans but also in terms of threatening the survival of the company going forward. We have had to make redundancies, but many other trade companies have had to considerably cut back their workforce. The main consequences are:

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

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

Evidence from Royal Town Planning Institute Wales

The Royal Town Planning Institute (RTPI) is the largest professional institute for planners in Europe, representing some 25,000 spatial planners. RTPI Cymru represents the RTPI in Wales, with 1,100 members. The Institute seeks to advance the science and art of spatial planning for the benefit of the public. As well as promoting spatial planning, the RTPI develops and shapes policy affecting the built environment, works to raise professional standards and supports members through continuous education, training and development.

The response has been formed drawing on the expertise of the RTPI Cymru Policy and Research Forum which includes a cross section of planning practitioners from the private and public sectors and academia from across Wales.

As referenced in the Inquiry papers, many SMEs were impacted by the recession around 10 years ago and the number of smaller house builders has not returned to housebuilding to what it was since. Recently there has been much discussion and research on the importance of SMEs in the delivery of housing and around the barriers facing such companies from engaging in the process across the UK.

A skills shortage within the construction industry and access to finance were found to be significant issues for SMEs looking to engage in house building, highlighted in [Federation of Master Builders \(FMBs\) House Builders' Survey 2018](#).

We are aware of the Welsh Government loan funding announced in May 2018 aimed at supporting small and medium sized builders to unlock stalled sites across Wales. "Research in 2015 suggested there were potentially 7,600 homes on nearly 400 sites across Wales, where progression has been halted for a wide range of reasons, from pre development works and economic viability, to challenges in securing affordable funding. These are known as stalled sites, most of which are suitable for the SME sector to develop. Stalled sites could be unlocked through investment and support at an early stage, such as groundwork, infrastructure improvement or simply assisting with cash flow."

<https://gov.wales/newsroom/housing-and-regeneration/2018/180523-up-to-160m-to-unlockstalled-sites-for-sme-house-builders04/?lang=en>

In response to the Committee's Inquiry, RTPI Cymru can provide an overview of planning in Wales. The role of planning is to direct the right development to the right places and to plan for the long term. To encourage the delivery of housing in areas of need, partnership working is required amongst all stakeholders, including public sector, financial sector, statutory agencies and Government, working together to bring forward developments.

The planning system and the extent to which it actively facilitates developments by small home builders has been of much discussion recently and is one of the focuses of this inquiry.

Our [research into rural housing delivery](#) in Wales, focused on rural exception site policy and made the following observation: The "rise of volume house builders has created difficulties for the development of self-build, and more broadly smaller sites as might be identified in rural exception sites. There are particular financing challenges in borrowing smaller amounts for what are seen as riskier projects as well as lack of skilled tradespeople in construction, increasing materials costs and underperforming utility companies were all identified as making housebuilding in rural areas less attractive. ... Viability for rural exception sites is typically impacted on by dealing with waste, utilities instalment and costs of planning and building approvals, increased technology in housing requiring specialist installation teams to visit remote rural locations. As a result it is argued that the system disadvantages smallscale house builders that would often be the ones to bring housing forward in rural areas."

However, we are not convinced that the planning system alone places obstacles in the way of small builders. As discussion and research have shown, obstacles can be found in many other areas, such as the markets for buying and selling land, and for buying and selling houses, and in terms of social housing in procurement practices. The provision of infrastructure is another example, "delivering infrastructure is often harder to do if you have a spray of smaller sites than if you have one big one. On the large sites there have been some very impressive deliveries of infrastructure, which have come as a consequence of economies of scale." <https://www.theplanner.co.uk/news/report-small-builders-call-forurgent-stimuli-to-survive>

The recently revised national planning policy has recognised the need to support small home builder. [Planning Policy Wales \(edition 10\)](#) recognises the vital role that planning has to play in facilitating developments by small

home builders, paragraph 4.2.13 states “To assist in broadening the housing delivery options and enable the provision of housing by RSLs, SMEs and the custom and self-build sector, planning authorities should set a locally determined target for the delivery of housing on small sites. To facilitate this, planning authorities should maintain a register of suitable sites, which fall below the threshold for allocation in their development plan. Planning authorities should also work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes. ... When promoting self-build and custom build development, planning authorities must consider all relevant policy options including the use of Local Development Orders (LDOs) and site specific design codes to simplify the planning process and enable housing development to be brought forward more quickly”.

The need to provide a range of different sized sites with different characteristics is recognised within planning. The market for small retirement homes close to facilities, larger family homes with gardens, small clusters of homes in villages etc will all potentially attract different builders, often small scale and local housing providers. While small firms working on infill / rural exception sites etc can make a good impact on delivering sites.

The skill set around understanding viability within LPAs and other stakeholders could be improved, but this requires open dialogue and partnership working between all stakeholders. Many LPAs already proactively engage with SMEs, running initiatives such as [Builders Breakfasts](#) and most have useful Supplementary Planning Guidance, for example [Rhondda Cynon Taf](#). The register of small sites required by national planning policy will prove an additional useful resource in identifying potential smaller sites for SMEs and opening dialogue between parties.

Given that Local Development Plans (LDPs) are prepared at the scale of the LPA, it is inevitable that they will have more of a focus, although not exclusively, on larger scale developments to meet housing targets. Place Plans, however, at the scale of the smaller settlement, may be a more suitable medium for bring smaller sites forward, and while there is progress in their preparation, it remains patchy. Place Plans could facilitate more opportunities for smaller builders, although this activity would need to be resourced appropriately by LPAs.

There is no doubt that for some smaller builders negotiating their way through the planning system could be a challenge, as they are unlikely to

have access to the kind of specialist support that larger house builders are able to rely on. However, as set out in national planning policy (PPW quoted above) and reflected in local initiatives, this is recognised by the planning community. In addition to what is already available, the provision of some kind of planning advisory service for smaller builders, might represent a key step in giving smaller builders the confidence to bring schemes forward.

RTPI Cymru have long argued for adequate resources, for planning to be able to deliver. In particular we have called for moves to allow LPAs to achieve full cost recovery from development management services to enhance planning service delivery. By ring fencing income from planning fees, planning services could be more effectively resourced to develop planning services and provide support.

Evidence from Simon Gale, Director Prosperity and Development Services, Rhondda Cynon Taf Council Planning

The challenge across South East Wales

- The need to respond to housing demand is relentless
- There is a gap between supply and demand, across all tenures
- Big builders and the 'snow line'
- Large stalled sites / post-industrial legacy of sites
- The 'demise' of SMEs building houses

RCT Study into stalled sites

There is no overriding reason why sites become stalled:-

- Topography;
- The need for up front infrastructure;
- Contamination on brownfield site and "Abnormals" particularly from past coal mining;
- Personal reasons
- Too many risks not being quantified to give confidence to invest;
- Multiple land ownerships;
- Access to finance;
- No experience in making a planning application.
- Existing site values

There are some emerging broad themes.

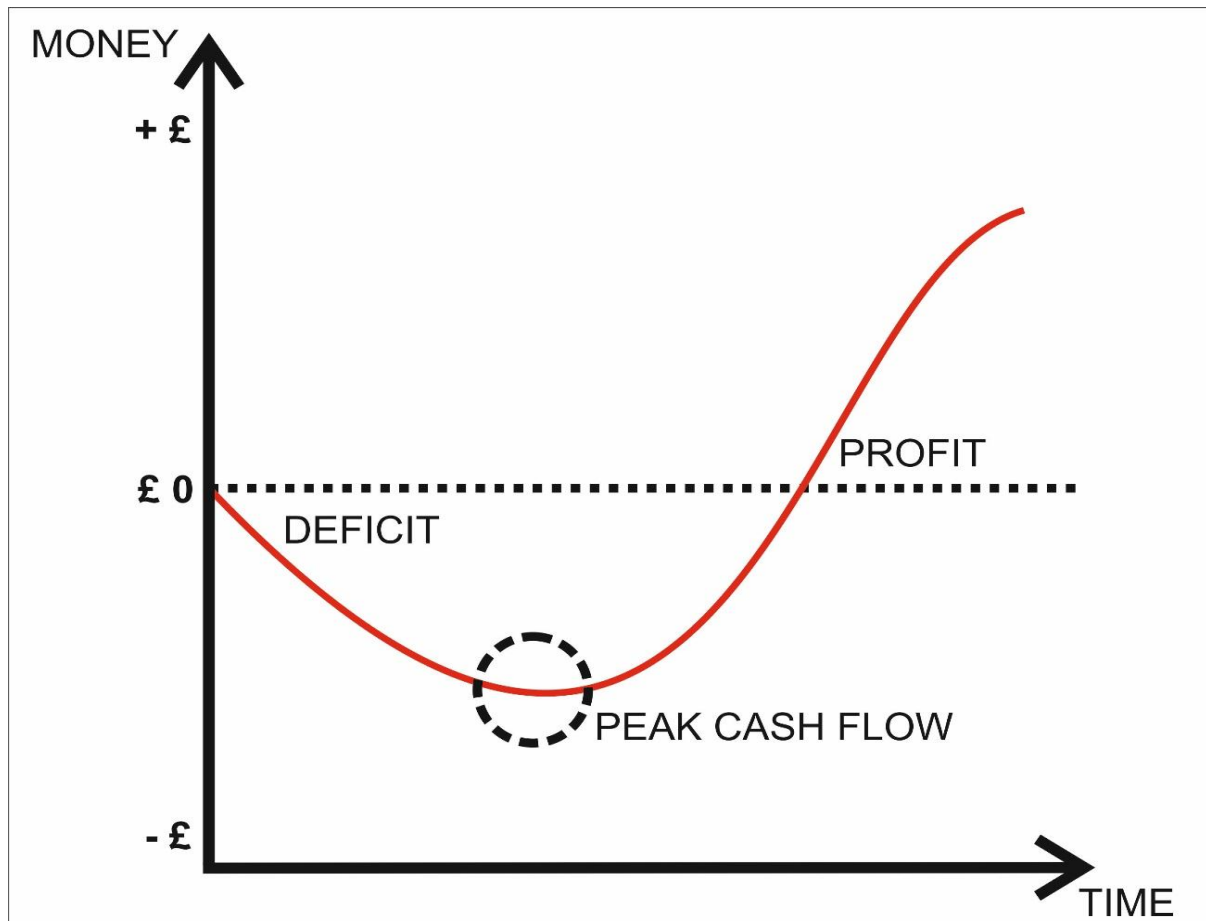
- Some sites, particularly in the valleys are simply **unviable** because the cost of developing them is more than the current revenue.
- Small sites, which historically would have been built out by small, local builders have stalled because those small companies are struggling to **access finance**.
- **Risk** of the unknown is a barrier to investment in marginal sites.
- There are a number of sites that on paper are viable but need considerable upfront investment so that **cash flow** becomes a barrier.

Peak Cash Flow (see table 1 below)

- Key issue arising out of the viability study.

- Not usually picked up in traditional approaches to viability where the focus is on residual land value and profitability.
- Major issue for SME builders.

Table 1



Potential Solutions

- Maximising existing finance opportunities including Development Bank of Wales
- Joining up Landowners with SME developers
- Plot Shops
- Guiding SMEs through the planning system
- De-risking sites

Evidence from Welsh Water

Thank you for the opportunity to submit evidence to the Committee's consultation on barriers facing small home building firms.

These comments are from Dŵr Cymru Welsh Water, the statutory water and sewerage undertaker that supplies over three million people in Wales and some adjoining parts of England. We are owned by Glas Cymru, a single purpose, not-for-shareholder company. We provide essential public services to our customers by supplying their drinking water and then carrying away and dealing with their wastewater in a sustainable manner. Our services are also essential to the sustainable economic development of Wales, with an independent report from Cardiff Business School estimating that we contribute around £1 billion a year to the Welsh economy.

One of Welsh Water's key responsibilities is to support all forms of economic development including new housing provision. Our record demonstrates that we are an industry leader for delivering the full suite of services required by our developer customers and, we are the best performing Water Company in Wales and England according to the WaterUK Developer Services Levels of Service since their introduction in April 2015. Independently conducted surveys of our developer customers confirm that we continue to improve the quality, responsiveness and value of our services year on year with high levels of customer satisfaction at 86% and trust at 89%. We also support in excess of 99% of all new housing that is the subject of a planning application and this is only possible because of our record investment of £1.7 billion over the current investment period (2015 – 2020).

Our role in supporting the work of developer customers is primarily governed by the provisions of the Water Industry Act 1991.

We connect around 7,500 new properties every year to our water and wastewater networks and we appreciate that our developer customers face many challenges. This is why we do our utmost to ensure that we offer a service that meets and indeed exceeds their expectations and we are proud of the results we have achieved so far.

In this context, it is important to note that the provision of new water and sewerage infrastructure to serve new developments of all sizes is substantially open to competition and allows developer customers to choose their own installer. Developer customers are then free to compare our costs with those of

their own installer(s) and decide who they wish to use, whether this be ourselves, an external contractor or self-lay provider. All of our costs for undertaking any service for developer customers is based on a cost reflective approach and we are specifically prohibited by the Water Industry Act 1991 from making any profit for providing any of these statutory services.

The choice the developer customer makes about who will install the new infrastructure does not change our focus of ensuring that the new assets are designed and constructed to the relevant industry standards. This not only safeguards the public health of our customers but also that the assets will last a lifetime therefore negating premature financial liabilities for bill paying customers in the future. We enable this by using suitable contractual (financial) obligations with our supply chain or where the developer customer chooses to use their own installer a surety will be put in place and this typically takes the form of a bond from a financial institution.

The Water Industry Act 1991 sets out prescriptive requirements of how charging for both water and sewerage infrastructure relating to new development must be undertaken however following the Welsh Government publishing “Charging Guidance to Ofwat Relating to Developer Charges, Bulk Supply Charges and Access Charges”, Ofwat (the water industry regulator), have recently consulted on proposed changes to these charging arrangements.

In order to remain open and honest with our customers, we have always operated an ‘open book’ approach where developer customers can examine the detail of how we arrive at a charge for their development. Appeal mechanisms for the majority of these activities are available to developer customers so that Ofwat, the water industry regulator who has extensive powers in this area, can investigate and conclude whether a water company is acting appropriately and the relevant charges are justified. Whilst appeals to Ofwat by developer customers involving Welsh Water have been very few and go back some considerable time, Ofwat has never concluded that our costs have been unreasonable.

In terms of upfront costs, the Water Industry Act 1991 places a legal requirement on the developer customers to pay most of the charges applicable to a water company upfront. This payment is required to provide us with the subsequent legal powers (for example to serve land entry notice to lay new water mains or sewers in third party land) to undertake the work the developer has requested from us. However it should be noted that some charges are payable after the service has been provided.

We have worked exceptionally hard to ensure the services we provide developer customers are industry leading, efficient and absolutely transparent. I hope that

this evidence will inform your understanding of the way we work with developer customers and the legal requirements and regulations that inform and guide our work. If you require any further information, please do not hesitate to contact us.

Agenda Item 7

Document is Restricted

Agenda Item 8

Document is Restricted