

South Meadow Homes Ltd.

Designers & Builders of Quality Homes in Pembrokeshire

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Our Ref: GT/HC

15th March 2013

Mr Ted Sangster
Chairman of the Standards Committee
Pembrokeshire Coast National Park Authority
Llanion Park
Pembroke Dock
Pembs
SA72 6DY

Dear Mr Sangster

Re: **Scrutiny Committee: Affordable Housing**

Thank you for your invitation of 25.2.13 to assist your Committee in its consideration of "Affordable Housing" within the Pembrokeshire Coast National Park. I respond to the questions you posed:-

Q1. WHO ARE WE?

South Meadow Homes Ltd is a family owned and managed housebuilder. Since 1985 we have built approx. 600 homes in South Pembrokeshire outside the National Park of which approx. 116 were sold to Pembrokeshire Housing Association. We employ and train local craftsmen for example our construction Director has risen from trainee to be current National Housebuilder's Council (NHBC) Best Site Manager in the UK in the 2-50 homes per annum category having previously been independently judged best in Wales on many occasions.

The company policy is to retain any after tax income to reinvest in its business.

We build traditionally and are flexible enough to accommodate purchaser's individual needs and the characteristics of the location.

We have not built any homes outside Pembrokeshire yet but current planning difficulties may necessitate a future change of policy.

**Welsh Winners & UK Finalist 2000, 2001, 2002, 2003, 2004, 2006, 2007, 2008, 2009, 2010,
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**UK Winner 2012 Pride in the Job
Management Award (Category 2-50 per year)**

Q2. – ‘BARRIERS TO FUTURE HOUSING DEVELOPMENT’

A. Political Interference The Political classes are trying to micromanage our industry and others in the Park such as farming and fishing. Policy is invariably tainted with political bias. We have to try to predict and accommodate the requirement of FIVE levels of elected competing government (plus you). Rural Pembrokeshire requires smaller housing developments that best employ/extend/integrate existing communities. The local builder who has traditionally created these homes is invariably an entrepreneurial independent type who is turning away from housebuilding to other work because they are not prepared to tolerate the bureaucratic obstacles. This is inevitably shrinking the traditional skilled building workforce. Your officers need to ensure they are seen to be encouraging and assisting these people navigate the system rather than embellishing it.

B. Economic Uncertainty The market will inevitably rebalance itself. Current high price/income ratios will be corrected. At this stage in previous cycles this has been accommodated by flat sale prices and rising incomes. We have already experienced some price corrections, but incomes do not look like increasing noticeably in the short/medium term.

Interest rates are artificially low in the West. At some point this will have to be corrected. If mortgage rates revert to their traditional levels (Inflation + Savers Return + Lenders Risk Margin) it will have serious consequences for many of today’s Mortgagees.

In my lifetime the majority of housebuilders in Pembrokeshire have eventually succumbed financially. History confirms speculative housebuilding is a high risk business. The current policy of front loading development costs with compliance costs and hidden taxes adds to the risk. This further disincentivises production.

C. Cost Inflation The weakening Pound continues to add to the industry’s costs. Haulage, diesel, cement/brick/roof tile production costs, imported timber and plastics etc.

The additional statutory costs, (Eco Building regulations, sprinklers etc) have been explained by others. Increased statutory labour overheads are also imminent. This needs to be considered against suppressed disposable incomes and increased job insecurity of prospective purchasers.

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Q3. HISTORIC AFFORDABLE HOUSING

Our early Affordable Housing production was allocated by the Housing Association who appeared to select their tenants in a caring, personal and sympathetic way. Unfortunately the allocation system was changed to a “welfare basis” whilst the last two developments were being built. The sites were of a size that phased handovers took place i.e. we were working on site whilst early phases were being allocated. The majority of the new tenants were known to our local building team. It caused great distress, resentment and anger amongst our team when they discovered who was going to occupy these brand new houses that they had worked so hard and diligently to create. We completed the contracts by juggling staff with other sites and using sub contract labour.

Based on this experience we have proposed to PCC and PCNP that they review their allocations policy with possibly local member/Community Councillor involvement. The current review of the welfare system may also address some of these issues. Should a brand new home be an “entitlement” or a “privilege”?

The absence of a local occupancy condition requirement on RSLs further exacerbates integration concerns of many communities.

Q4. ONGOING AFFORDABLE HOUSING PROVISION

Based on our previous experience we favour retaining control of our affordable housing. We are well capitalised and can hold and let units to qualifying tenants. Our local building team are available for future maintenance. This benefits the State by not requiring the public to contribute financially. Net return on an intermediate rent is low but adjacent open market sales should be largely unaffected.

The ratio of affordable to open market will be determined following a viability study once the traditional planning considerations are resolved.

We are also prepared to consider sales at 70% of open Market Value providing the qualifying applicant can demonstrate sufficient fiscal discipline to satisfy a mortgagee (as PCC Draft SPG).

We are very comfortable with the requirement to give locals priority. We are open to any other ‘self help’ proposals that are practical and fair.

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Q5. YOUR LOCAL PLAN AND AFFORDABLE HOUSING SPG

Your LDP Affordable Housing Policy appears to have been based on a very optimistic projection of pre-recession experiences and expectations. The Plan Inspector described it as “ambitious”. Since the plan was approved a better understanding of Affordable Housing Deliverability has evolved throughout England and Wales following consultations such as this. I assume you have been supplied with a representative sample of the plethora of information available on a large number of Planning Authority websites.

GENERAL

Welfare reform has become a highly divisive issue. Affordable Housing is now part of the Welfare System and debate. Our leaders are reconsidering their attitudes in the light of experience, economic reality and discussions. Their combined wisdom will be reflected in Policy Directives in due course. In the meantime the surviving Housebuilders have to make progress.

Good development schemes should not be compromised by socio/political fads of the day. The project should be appropriate to the site, the tenure mix should reflect what that scheme can then provide economically.

Your viability software was described at the recent Public Hearing stage of the Pembrokeshire County Council LDP as a “blunt tool” but useful to guide planning policy. Possibly a more sophisticated approach is needed.

It appears that the best way to accurately evaluate each important new development application is to submit them to a rigorous analysis/valuation that complies with the appropriate Code of Practice of the Royal Institution of Chartered Surveyors. No two projects are going to have identical factors in an area as diverse as the Pembrokeshire Coast National Park.

The current prescriptive pre-scheduling of tenure mix and accommodation mix is also a very blunt tool. A more flexible and collaborative approach is required particularly in the National Park.

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We who live in and love Pembrokeshire look to you to uphold the "Sandford Principle". We encourage you to resist pressures to spoil our villages and countryside with inappropriate development. Planners and Politicians are thankfully mortal, our physical and social environment should continue to evolve subtly and gradually.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Guy Thomas', with a large, stylized flourish at the end.

Guy Thomas

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Business in Wales

EVERY WEDNESDAY IN YOUR
Western Mail

Wednesday, 13 March, 2013 Editor SION BARRY 029 2024 3749 Assistant Editor RHODRI EVANS 029 2024 3605 www.walesonline.co.uk/business

House building in Wales slumps to new record low

WALEs saw the lowest number of fourth quarter home completions on record in 2012, new figures have revealed.

The final three months of the year usually see the most homes completed. But new figures from the Office for National Statistics show that between October and December 2012 a total of 1,466 new homes were finished in Wales.

That figure is the lowest level of completions in the fourth quarter since the ONS began collating Welsh figures in 1974. In comparison, in the fourth quarter of 2011 1,718 homes were completed, and before the financial crisis the number of completions in the quarter repeatedly topped 2,000.

The new figures come as housebuilders have expressed concern at the Welsh Government's housing policies.

Redrow's chairman Steve Morgan last month said the policies coming out of Cardiff Bay were potentially "catastrophic" and that the housing market was "coming back".



RHODRI EVANS
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wards in Wales. He warned that if policies, such as rules requiring the installation of sprinkler systems in new homes and new energy efficiency and living space measures, were introduced it could mean it would cost \$11,000 more to build a three-bedroom home in Wales than in England in 2015.

"There are parts of Wales where it is uneconomical for us to build," he said. However, the Welsh Government has questioned the \$11,000 figure suggested by Steve Morgan, suggesting that new energy efficiency standards and the installation of a sprinkler system would cost an extra \$6,900 for a three bed semi-detached house. In England

housebuilders have benefited from the New Buy scheme which makes it easier for first-time buyers to purchase new homes.

But despite the scheme in England having launched a year ago, the equivalent scheme in Wales is still on the blocks.

In England a total of 27,890 homes were completed in the fourth quarter in 2012. That figure was down on the 29,550 homes completed in the final three months of 2011, but markedly ahead of the Q4 figure for 2010 of 25,870.

CBI Wales Director Emma Watkins said the latest figures

showed the need for the Welsh Government to act.

"Reports that the number of house completions in quarter four of 2012 reached a record low should be a clarion call to government to quicken its pace and raise its ambitions so that we can get Wales building again," she said.

"Construction is a quick win for Wales. It generates a wider economic return of \$2.84 for every pound spent but it doesn't suffer the long lead-in times that affect many major infrastructure projects.

"So the Welsh Government needs to put its shoulder to the wheel on upping supply, introducing new incentives for refurbishing empty houses, and introducing the housing guarantee scheme (NewBuy Cymru) quicker and extending it to all housing.

"At a UK level the CBI is calling for action in the forthcoming Budget, and the Welsh Government should match this ambition. Businesses tell us that

the Funding for Lending scheme is starting to take effect - lowering rates on 95% mortgages so that first-time buyers can take that crucial first step. But the Welsh Government can supercharge some of these short-term measures, including extending the NewBuy Cymru scheme to second-time buyers struggling to get on the next rung of the property ladder or trapped in negative equity.

"Now is the time to lift business and consumer confidence and get the economy back on track."

A Welsh Government spokesman said: "These figures serve to emphasise the scale of problems facing housebuilders in Wales, which is why we must not let up in our efforts to support the whole sector. It is however heartening to see that completions, though down in the Oct to Dec quarter 2012, were up for 2011-12 as a whole and for the first half of 2012-13, as were completions across the private sector. During Oct to

Dec 2012 there were also 1,234 new homes started in Wales, which is the highest number of starts recorded during that quarter since the low in 2008-09.

"The Welsh Government has allocated \$4m a year for the next 30 years which will enable over \$100m to be borrowed by housing associations to support the development of more than 1,100 new affordable homes and reflects our determination to find innovative ways of sustaining investment in housing.

"Our commitment to increase housing supply is demonstrated by the additional allocations made to housing this financial year - \$10m in June 2012 for a new scheme to bring empty properties back into use, \$6m for the innovative Welsh Housing Partnership and \$29m for Social Housing Grant - which emphasise the priority this Government places on boosting housing supply which is so important to our economy and to our communities."