



Investigation of the Feasibility of Self Build on Council Owned Land

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1. Introduction

This report sets out the main areas for consideration if the Council wishes to deliver a self build programme on council owned land. The subject of this report is a 2015/16 Corporate Plan target reference PLEG10. The report addresses the Government's commitment to increasing housing supply and helping more people achieve their aspirations of owning a home. The custom and self build sector can play a key role in achieving this ambition.

The National Custom and Self Build Association (NaCSBA) survey of all local authorities in England (conducted in July 2015) found that approximately 40% of councils were taking actions to help boost the opportunities available for people who want to build their own homes. More than 60 councils have already set up a local demand Register or are carrying out assessments, to measure the local level of demand for people who want to build their own homes. In addition to this 30 councils have already acquired or are identifying suitable sites or locations for their own new homebuilding initiatives.

2. Objectives

With many areas of the United Kingdom facing severe housing shortages, self build housing has become an important element of the Government's housing strategy because self build homes are seen as one of the ways this output can be increased. This aspiration was first set out in the Government's Housing Strategy for England *Laying the Foundations* report in 2011 which detailed the desire to unlock the growth potential of the self build homes market and double its size over the next decade. Self build has also more recently been encouraged through the *Localism Act* 2011. This has left the responsibility with local authorities to both assess demand for self-build and provide land. The National Planning Policy Framework (NPPF) paragraph 50 includes the following specific reference to custom and self build housing;

"...to deliver a wide choice of high quality homes, widen opportunities for home ownership and create inclusive and mixed communities, local planning authorities should...plan for the needs of different groups in the community such as people wishing to build their own homes."

3. Scope

Research suggests that self builders can be split into two distinct groups. Firstly there are self builders who have the resources to fund the acquisition of a plot and pay a contractor to build their home. In this instance the Council may decide to concentrate on encouraging bids which demonstrate the most innovative design and build methods which utilise cutting edge materials. Secondly, a growing number of younger families are now building their own homes. For many in this group, the driver is affordability as they see it as a way of getting more for their limited budget. In this instance the Council may decide to be much less restrictive with the design code therefore making the scheme appealing to more people. This is likely to be the preferred option for the Council based on the housing needs of local residents and size and location of Council owned sites.

4. Background

4.1. Self-Build Defined

Self build is when someone directly organises the design and construction of their new home. Alternatively custom build housing is often described as when someone commissions a specialist developer to help to deliver their own home as it's likely that the householder will not always have the skills to design and construct their own home. This approach gives local authorities great confidence that the work will be done to the right standard and completed on time. For the purposes of this report (and planning policy), custom and self build dwellings share the same definition and the terms are used interchangeably. The Council's Housing Choice Supplementary Planning Document (SPD) which is out for consultation includes the following definition of self build:

“Self-build housing, also called Custom-build housing, is a dwelling which an individual (or dwellings which an association of individuals) builds itself or has built by a builder it chooses, on land it owns, to a design that it chooses, to be occupied by that individual (those individuals) as their sole or main residence (not as a second home)”.

4.2. National Context

The UK as a whole has had a much lower rate of self building than other European countries. Currently in the UK self build accounts for about 8-10% of new housing which is markedly lower than other developed countries where it is 30-50%. Ipsos Mori surveys undertaken on behalf of NaCSBA for the last three years have concluded that around half of the adult population would like to commission their own home at some point, and around 12-14% of the adult population are actively researching how to achieve that goal. The surveys also suggest that about 700,000 people are keen to start building within the next year.

4.3. New Legislation

In the 2014 Budget the Government announced that it would consult on a new 'Right to Build' that would give prospective homebuilders a right to a council facilitated building plot. In September 2014 the Government announced that 11 local authorities (including Stoke-on-Trent City Council), would become Right to Build 'vanguards' to test out how the Right might operate in practice. Legislation for the first element of the Right; the requirement for local planning authorities to establish registers of custom builders who wish to acquire a suitable plot of land to build their own home, was brought through Parliament in Richard Bacon MP's *Self-build and Custom Housebuilding Act 2015*. The Act also requires local authorities to have regard to the demand on their local register when exercising their planning, housing, land disposal and regeneration functions. This legislation is expected to be commenced early this year.

In October 2015 the Government introduced the *Housing and Planning Bill* which sets out provisions to amend and supplement the 2015 Act to introduce the second element of the Right to Build; the requirement for councils to make land available. The Bill defines what self and custom housebuilding is and places a duty on them to grant sufficient suitable development permissions on serviced plots of land to meet the demand established by local registers. This legislation is expected to be commenced late this year or early 2017. Government guidance is currently in preparation to support this legislation. The case studies below are good practice examples of existing and up-coming individual and small scale builds, delivering innovative design and other environmentally sustainable development.

4.3.1. CASE STUDY: Almere, Netherlands

The Netherlands, who are very similar to the UK in terms of population density and housing issues, have shown how local authorities can dictate the growth of self-build communities. Almere is a self-build community which resulted in over 1,000 new homes being built by early 2012 and eventually some 3,000 homes are planned. The 100 hectare extension to the south west of the city has been master planned by the local authority into a number of districts with individual plots varying in size from 86m² to more than 1200m². The entire infrastructure was installed by the Council including all the roads and utilities and each home came with an A4 sized 'passport' which acts as a building permit. This specifies the main restrictions which include the height, any gaps required between homes, and the line of the front and back of the properties.

All the plots were sold at a standard price of 375 Euros per m² (roughly £275), therefore the smallest plot cost about £23,650, and a 1000m² plot £275,000. Building costs varied depending on the method of construction chosen, the design, the quality of the finishes and how much of the work was done by the self-builder and how much is done by a contractor. Not all the homes were built as solo projects; for example 25 people formed themselves into group and then hired an architect and contractor to build a block of flats together. This enabled them to get their flats (including land) for an average of £69,000 each. This exercise of using serviced plots to grow supply has now been replicated at many sites in the UK, including Graven Hill in Bicester.

4.3.2. CASE STUDY: Graven Hill, Bicester

The Graven Hill site lies just to the south of Bicester and extends to nearly 190 hectares. The site is currently occupied by the Ministry of Defence (MOD) and over the next five years the MOD will be vacating the majority of the site. Outline planning permission for the site is in place for 1,900 new homes, along with a primary school, employment space, a local pub/restaurant and a small number of shops. As a local authority Cherwell District Council are keen to promote a range of housing options in the district including self-build, and wish to play a key part in developing brownfield sites such as Graven Hill.

Graven Hill will be the largest opportunity in the UK for people who want to build their own home. This will be for households of all sizes and will include opportunities for people to build as a group and as individuals. Dedicated to local residents, the first plot of reservations will be taken during May 2016 and then in June the process will be extended to customers from across the UK. Initial infrastructure work such as drainage will have already begun during March, with the main drive, including demolition of existing buildings starting in July. As a result, the first phase of plots should become available in 2017, with self-builders starting on site in the July. By July 2015 reportedly 2,500 people had registered their interest in building their own home on one of the 1,900 plots available.

4.3.3. CASE STUDY: Stoke-on-Trent, Staffordshire

Stoke-on-Trent City Council subdivided the one-acre site in Penkhull into six plots and successfully sold them all. The plots ranged in size from 365m² to 955m² and as part of the initiative the Council installed a road to connect to another section of land to the south. Outline planning permission was secured for all six plots but the individual purchasers were responsible for getting detailed planning

permission for their own properties. There was no Design Code, but the areas where the properties could be built were identified on each plan and there was a 2-3 storey height limit.

A public event was staged to gauge levels of interest in the plots in 2012 and more than 100 people attended. Those who appeared to be most interested were put in touch with a specialist self build mortgage broker (Buildstore) so that they could check what they could realistically afford to spend. The initial six plots on the Penkhull site were sold at a private auction (attended by only those that had been pre-vetted by the mortgage broker) in early December 2013. Each plot had a reserve price of £75,000 and a total of £591,000 was raised. The successful bidders had six months to get their detailed planning permissions, and a further 18 months to complete the homes.

5. Self Build in East Staffordshire

The Council's Strategic Housing Land Availability Assessment (SHLAA) could be a source of potential sites for a self build scheme, but it's likely that the Council's preference would be to deliver a self-build scheme which utilises Council owned sites. Some forms of self build may be particularly suited to more 'difficult' sites that are less favourable by conventional developers e.g. sloping sites or those with difficult access. The Council may wish to specifically target land choices e.g. greenfield/brownfield, rural/urban. If the Council has little land of its own, one option could be to acquire land and similarly put in the infrastructure. Teignbridge District Council has pioneered this approach by setting up a £1m revolving fund to buy land that can then be split up and sold on to self-builders.

5.1. PILOT SCHEME: Lynwood Road, Branston

As demonstrated in the case studies, one of the main ways for local authorities to facilitate the delivery of self build plots is by utilising their existing land holdings or acquiring land. The Local Plan allocates sites for residential development. However, most of these sites are privately owned and while this does not preclude the possibility of self build, it does reduce the direct influence that the Council has to promote a particular initiative such as self build. Land for self build must be made available if the sector is to grow; therefore it would be of huge benefit for the Council to proactively provide a real development opportunity in the sector.

The Council owned site at Lynwood Road has previously been identified for residential development, and appears to be marketable for a self build pilot project due to its size, location and existing infrastructure that can be linked into. The proposed pilot site in Branston is situated a short distance away from Burton upon Trent town centre and in close proximity to the A38. Lynwood Road currently has 20 existing properties, and the Council owned site is currently vacant land surrounded by predominately residential dwellings. The site is accessible via Lynwood Road and Harwood Road but the Council would need to install the necessary infrastructure, including additional fully serviced access roads. At the time of writing this report (December 2015), the average asking price for the DE14 postcode is £163,755 and the average asking rent is £316 per week. A selection of photos of the site can be found in Appendix A.

Average Values in DE14 as at December 2015

Property type	Avg. current value	Avg. £ per sq ft.	Avg. #beds	Avg. £ paid (last 12m)
Detached	£213,692	£174	3.6	£198,728
Semi-Detached	£143,440	£168	3.0	£135,358
Terraced	£101,416	£134	2.7	£102,537
Flats	£106,730	£170	1.7	£76,157

Source: Zoopla

6. How the Scheme Would Work

6.1. Identify Demand

Many people will not be aware that self build is an option for them so it is important to assess the level and type of demand for self builds in the Borough. It's suspected that demand in the Borough will be predominately from people looking to get on the property ladder rather than those looking to build the 'grand design' style home. Other local authorities have gauged local interest and levels of commitment by utilising the following methods:

- **Creating a Register:** The Self Build Portal advertises a 'Need-a-Plot' notice board which highlights where people are actively looking for land and alternatively the Council could consider creating their own online register. It's expected that creating and maintaining registers like this will soon become a statutory duty on councils.
- **Producing a Questionnaire:** At a more local level the Council could proactively produce householder questionnaires or add into existing ones.
- **Organising an Event:** A public event such as an 'Open Day' could be used to gauge local interest and showcase examples from around the country.
- **Speak to Local Estate Agents:** It would be beneficial to engage with local estate agents and find out what their view is on the level of demand.

6.2. Support for Delivery

The Council would need to provide in-house, or commission from external sources the following support in order to deliver a self build scheme:

- **Architectural services:** Similarly to the Pennycroft Lane site, the Council would need to appoint an architect to design a scheme layout necessary for an outline planning application. An architect would also be able to provide advice on a design code for the scheme.
- **Consultants and Engineers:** They would need to be appointed to design the infrastructure to be approved by the County Council's Highways Team and the relevant statutory undertakers.
- **Council Teams:** Support from the Legal and Procurements teams within the Council would be required to help dispose of the asset and draw up a developer agreement.

6.3. Marketing

An 'Open Day' could help the Council showcase some of the great solutions that have already been delivered elsewhere on the UK, and share the Council's own ideas. An estimated £5,000 would be

required for a successful promotional campaign to raise awareness. This would include promoting the new site through local newspapers, and a dedicated social media campaign to try and get as much coverage as possible. Providing information within ES News would get a large coverage and the Council could consider creating a dedicated webpage within the Council's own website and the recently created brownfield website. The Self Build Portal also has notice boards on the 'Need-a-Plot' map which have been placed by people looking for a building plot. There is the option to scour the map to see if there is any need for land matching what the Council holds. Once a suitable match has been found contact can be made with the prospective self builder.

6.4. Assessment of Applications

Depending on the level of interest and demand the Council could consider different options to sell off the plots including selling off land as and when enquiries come in, opening a tender for a set timeframe, and holding a private auction with a reserve price for each plot. It's likely that the scheme would work by splitting a self build site into development phases, and ensuring that all the plots in the phase are allocated before any construction work in the phase can begin.

6.5. Design Sign-Off

Outline planning permission for the site would likely be obtained from the Council, and it's proposed that the plots would come with a 'plot passport' that acts as a building permit and sets out the main planning conditions such as roof height limits and where on the plot they are allowed to build. Best practice for this method appears to be to open a dialogue with potential individuals early in the process, as well as using data from the self build register, to make sure that sites are tailored to demand. Any detailed planning applications and other consents that are needed prior to construction commencing can be required to be submitted to the Council within a set time period from plot purchase.

6.6. Plot Sizes

The Council would slice up the land into modestly sized 'de-risked' building plots, with new fully serviced access roads provided to the boundary. Usually self builders find it much easier to visualise a plot if it is fenced and there is a clear road access. Self builders will have all have different needs and assessing what type of plot they want will be necessary to meet demand. Soft marketing testing and creation of a self build register would help determine the mix of housing and the subsequent plot sizes.

6.7. Owner-Occupier

Typically self build is designed for owner-occupiers particularly to help people get on the property ladder. Plot purchasers can be required not to occupy a home until it is completed. It is also possible to require that the homebuilder lives in the home for a minimum period of time (e.g. three years as imposed by the CIL Regulations). Case studies show that this is typically not an issue, as most people who build their own homes live in their property for considerably longer.

6.8. Control Mechanisms

The plots can be sold with a simple design guide/plot passport that sets out what is and isn't allowed. The use of planning passports for plots can speed up the process for everyone involved and reduce risk for mortgage lenders. However, the design code shouldn't be overly prescriptive as self

builders want to have a say in the design of their homes. In a project in Anglesey the council employed an architect to produce a 'pattern book' range of different sized homes. The self builders were able to select one of these, but could then tweak the design and layout to suit their specific needs. The Council may also consider imposing a legal requirement for the self builder to complete the homes within a set number of years.

7. Expected Benefits

This report highlights that self-build has a variety of positive aspects that make it an exciting prospect for the delivery of new housing. While self build can take time and more work than buying a completed home, there are a number of key reasons why local authorities are being encouraged to use public land to promote more self build homes.

7.1. Increase Housing Supply

Self build has the potential to increase housing supply from a wider variety of sources, not just volume house builders. Many volume house builders are not interested in building new homes in marginal areas but self builders are frequently prepared to take risks of building on land that major developers would not including small spaces and inclined building plots. Self builders are also much less likely to land bank. In Europe local authorities routinely use their existing land holdings or acquire land to meet the demand from local residents.

7.2. Diversify Housing Supply

Self build ties in to the current localism agenda, increasing consumer choice and control over the space residents inhabit. It allows people to downsize to houses they want and enable people to get on the property ladder. Across Europe councils often provide a range of different sized plots, and often make the smaller ones slightly cheaper per sq m than the larger ones. Additionally self builders tend to make their homes more sustainable and environmentally friendly by investing in additional insulation and green technologies to heat or power their homes.

7.3. Local Economy

This growing sector is estimated to have been worth £3.6billion in 2013, and self-procured models tend to work closely with local trades people, craftsmen and businesses which helps to support the local economy. Typically each self builder is estimated to spend £50,000+ on materials and plant hire. It can also stimulate regeneration as it's often the case that volume builders are not interested in building new homes in marginal areas but self builders are often prepared to do so. These new homes can help 'lift' local property values and help kick-start activity in less desirable areas.

7.4. Affordability

Many people on low incomes opt for a self build home because it is possible to build a home for significantly less than any other route. Most self build schemes enable people to do more with less as most prove to be innovatively designed and can be cheaper, greener, and more affordable than standard market housing. It's estimated that self builders can save 20-25% on the cost of the equivalent home on the open market which a crucial saving for many looking to get on the housing ladder.

8. Main Risks

The Council would need to consider the risks to delivering a self build scheme on Council owned land:

- Self builder fails to deliver despite development agreement being in place which leads to development of a plot stalling.
- Plot passport/design code being overly prescriptive therefore limiting the number of people interested in purchasing a plot.
- Timescales for getting the roads approved and adopted by the County Council's Highways Team.
- Unknown ground conditions which could increase costs when the initial construction work starts.
- The capital expenditure needed for the infrastructure work increases financial risk.
- Income from the sale of plots may be lower than expected, therefore reducing profit for the Council.

9. Financial Considerations

9.1. Capital Expenditure

The following capital expenditure would be required to deliver a Self Build scheme:

- Infrastructure costs, i.e. building roads, installing services. The Custom and Self Build Toolkit states that costs would be approximately £10-15,000 per site plot. This is in line with the figures provided for the Pennycroft site in Uttoxeter.
- Outline planning permission. This is estimated to cost in the region of £4,000.
- Marketing the plots. Estimated to be 1% of the development value. Stoke on Trent City Council appointed Buildstore to coordinate marketing who charged £15,000.
- Officer time and Council resources - Enterprise Team, Legal etc. Estimated to be £20-25,000 based on an Enterprise Team officer post and £5k for assistance from teams within the Council.
- Section 106. It is possible that there could be Section 106 costs attached to the site, but at this stage these cannot be quantified.

9.2. Viability

To make a self build scheme viable the Council would at the very minimum need to obtain capital receipts which equal or are greater than the value of the land without planning consent, plus the costs of the infrastructure. The National Self Build Association (NaSBA) suggests that if a local authority wants to parcel up land into serviced plots and sell it on to builders they will often be prepared to pay a premium, which can create a profit for the Council. This can create a revolving fund whereby once finance in the asset is released it can then be used for infrastructure on the next site. Alternatively the Council could also consider the option of making land available at a reduced rate/retaining a hold on the land to ensure affordability. A common solution is for councils to transfer part or all of the value of the land into a Community Land Trust. This means that the land does not form part of the value of the property, so that even if the self builder moves on, the home will remain 'affordable' for future owners.

9.3. Income

- 1.1. The Council could expect to achieve an approximate average value of £90,000 per plot for the Lynwood Road Site (this is an indicative amount that has been calculated using average detached house values and known plot sale prices for the Stoke-on-Trent case study). Based on the proposed indicative drawing for the Lynwood Road site in Appendix B this could expect to achieve £1,890,000. Should the Council decide to proceed with this proposal it is recommended that an option to tax the site is made in order to protect the Council's partial exemption position and avoid incurring a large VAT liability (in excess of £0.1m).

10. Next Steps

To develop a detailed business plan for a self build scheme on Lynwood, for future consideration by Members.

Appendix A - Photographs of the Lynwood Road Site



Appendix B - Indicative Plot Layout for the Lynwood Road Site

