

Assisting Self-Build and Custom Building in Scotland

Policy and Legislation Proposal

February 2019

Introduction

Scotland's housing market is in crisis, with a chronic undersupply of new dwellings being a major cause. This has resulted in house prices rising across Scotland which has restricted availability, affordability, choice and worker mobility. All these have had negative ramifications on the wider Scottish economy.

The reasons for the undersupply are numerous, and much debated, but our view is simple: the Scottish Government needs to explore other avenues for housing development to widen the breadth of house builders, across all tenures, if supply is to meet demand.

Unfortunately, for too long, house building across the UK has been too dependent upon volume house builders; a dependency that has arisen from convention, culture, and a lack of diversity in procurement frameworks, Government support and financial models.

Scottish New Build Figures

In the 15 years prior to the UK recession of 2008, Scottish Government figures suggest that new house completions were consistently over 20,000 per year; peaking at over 25,000 per year in final three pre-recession years¹. The 25,000 figure was, and still is, considered by Scottish housing stakeholders as the minimum quantity of new homes required to meet demand.

Given that Scottish new build output has consistently not hit this figure in the last 10 years, Scotland now faces a backlog of over 80,000 homes.

To tackle this shortcoming, the Scottish Government has introduced, or maintained, numerous measures to support the house building sector through, for example, a five-year £3bn fund to deliver 50,000 affordable homes; Help to Buy; the Rental Income Guarantee Scheme (RIGS); and a Land and Building Transaction Tax (LBTT) framework that is weighted to support first time buyers and those operating at the lower end of the house price market. All these initiatives are commendable to a degree, but they do not support the SME house building sector, which saw its output significantly reduced during and after the recession.

Looking to the alternative approaches to housing delivery, in autumn 2018, the Housing Minister, Kevin Stewart MSP, announced a self-build loan fund of £4m to support people who are interested in building their own homes – a welcome start, but availability of land and advice is still inhibitive to those wishing to undertake their own housing project.

Benefits of Self Build

The benefits of self and custom build are numerous: they are often cheaper to build than buying an equivalent existing home; they allow potential home owners to tailor their homes to meet their needs; and they support community empowerment and development, as well as the greening and place making agendas.

¹ Housing Statistics for Scotland - New House Building:

<https://www2.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildAllSector>

It is important to note that self-build and custom build homes do not replace other forms of housing supply and construction, they provide an additional avenue of increasing housing supply.

However, securing funding and land, and obtaining appropriate advice, can be complex – and this links back to the house building assumptions illustrated above.

Demand for Self-Build

Self and custom build houses make significant contributions to housing supply in almost every other European country and in the USA. In numbers, 45% of new housing in the USA is self or custom built, and the European average is (circa) 50%; the estimate for the UK is between 7% and 10%².

Despite the relatively low contribution from self and custom build to the UK housing market, demand for self and custom build in the UK is high. This is evidenced by a 2011 YouGov survey - commissioned by the Building Societies Association (BSA) - suggesting that 53% of people in the UK would consider building their own home given the opportunity. In 2011, the UK Coalition Government's Housing Strategy - *Laying the Foundations* - reported that 100,000 people were looking for building plots at that time³. In addition, a 2016 Ipsos Mori poll showed that 12% of Britons expect to research or plan how to build a home for themselves over a 12 month period⁴.

Case Examples

There are a number of examples of large-scale self and custom build developments across the UK that can illustrate the advantages of self-build estates. The most recent, stand out example is Graven Hill in Bicester, Oxfordshire.

Graven Hill was acquired in 2014, and is a good example of the state acting as the prime investor to enable serviced plot development to take place.

In this instance, Cherwell District Council spent £28m to purchase buying land from the Ministry of Defence (MoD), created a masterplan, and detailed design guide. They installed the necessary infrastructure, as well as a street plan; in other words, they delivered serviced plots for house building, and they will shortly construct the necessary "social infrastructure", such as schools, parks, and cycleways.

The estate provides a total of 1,900 house plots, all for self-build, custom build and co-housing (or "group self-build").

The project was funded by a mix of Public Works Loan Board (PWLB) and grants from the UK Government through various initiatives such as Garden Towns and Large Sites programmes. Graven Hill was also one of 11 'Right to Build' Vanguard Councils introduced by the UK Government. The public developer provided the infrastructure, and sold under a term called 'Golden Brick'⁵.

As noted in a Guardian article in February 2018⁶ "*The public developer expects to make a profit out of the development*". This is a very important note - in the long term, this is a financially beneficial proposition.

² http://www.collectivecustombuild.org/site/media/PDF_Downloads/2_Around_The_World_-_PDFSummary.pdf

³ <http://researchbriefings.files.parliament.uk/documents/SN06784/SN06784.pdf>

⁴ <https://www.ipsos.com/ipsos-mori/en-uk/survey-self-build-intentions-2016>

⁵ <https://custombuildhomes.co.uk/what-is-custom-build/how-it-works/golden-brick-route>

⁶ www.theguardian.com/money/2018/feb/10/custom-self-build-housing-graven-hill

A Legislative Approach

There have been significant inroads to assisting the delivery of self and custom-built developments in England as a result of two recent English Acts: the Self-Build and Custom House Building Act 2015, as amended by the Housing and Planning Act 2016.

RICS in Scotland believes that the principles and intentions of increasing the opportunity of custom and self-build within these Acts could be adopted, with ease, within equivalent Scottish legislation either through amendments or new legislation.

Such a proposal would, in our opinion, greatly benefit the existing land supply and development frameworks for those wishing to develop their own home.

Transferable Legislation from the UK

i. Self-Build and Custom House Building Act 2015:

“An Act to place a duty on certain public authorities to keep a register of individuals and associations of individuals who wish to acquire serviced plots of land to bring forward self-build and custom housebuilding projects and to place a duty on certain public authorities to have regard to those registers in carrying out planning and other functions.”⁷

The Act was presented and carried through the UK Parliament by Richard Bacon MP, and on becoming an Act, places an obligation on local authorities to keep a register of individuals and associations with an interest in self or custom build projects.

The UK Government definition of self-build and custom build homes as *“those that you build yourself or where you work with experts to deliver your home to your own specification”⁸*.

At present, the “certain public authorities” are those governing in England: district, county and London Borough councils; the Common Council of the City of London; and the Council of the Isles of Scilly. This includes the appointment of a named person with the responsibility for taking forward the register. Since the registers were established, 40,000 people have signed up⁹.

Glasgow City Council are taking a self and custom build development project forward and have a named individual with specific responsibility for promoting and delivering this self and custom build project. By introducing an obligation across all councils in Scotland, this would help stimulate an additional form of housing supply that would provide wider housing diversity and choice through self and custom-built homes.

ii. Housing and Planning Act 2016:

Chapter 2¹⁰ of the Housing and Planning Act 2016, strengthened the provision of the Self-Build and Custom House Building Act 2016, and requires local authorities to *“give suitable development permission in respect of enough serviced plots of land to meet the demand for self-build and custom housebuilding in the authority’s area arising in each base period.”*

In short, as well as holding a register for those wishing to self or custom build, the local authority must also provide serviced plots.

⁷ http://www.legislation.gov.uk/ukpga/2015/17/pdfs/ukpga_20150017_en.pdf

⁸ <https://www.gov.uk/government/news/boost-for-aspiring-self-builders>

⁹ <https://nacsba.org.uk/press-releases/right-to-build-a-postcode-lottery/>

¹⁰ <http://www.legislation.gov.uk/ukpga/2016/22/part/1/chapter/2/enacted>

Transferable Legislation from Scotland

iii. Community Empowerment (Scotland) Act 2015, Part 9¹¹

The provisions in the Acts above are similar to those in Part 9 of the Community Empowerment (Scotland) Act 2015 relating to allotments. Specifically:

- a) Section 111: requires each local authority to “establish and maintain a list of persons who make a request” for an allotment
- b) Section 112: places a “duty to provide allotments” for aspiring individuals.

These sections of the Act could be reproduced in the Self Build (Scotland) Bill with “self-build dwelling” (or words to that effect) replacing “allotment”

Existing Supportive Measures in Scotland

In September 2018, the Housing Minister announced a fixed term, £4m Self Build Loan Fund¹² to support self and custom build projects.

Applications to the fund are capped at a maximum of £175,000, and can only be acquired for the actual construction of the dwelling, not the cost of purchasing the land.

It will run from 1 September 2018 to 31 August 2021 and is open to individuals who have been unable to obtain self-build mortgage finance.

Further Action Required

- i. Establishment of a Housing Land Agency

As illustrated earlier, self and custom build development is significantly greater in continental Europe and the USA, with public bodies acting as promoters, master planners and infrastructure enablers to provide people with access to serviced land for self and custom build purposes.

RICS has long called for the establishment of an agency that would work in partnership with local authorities and communities to identify and facilitate a regular supply of viable land for housing development; acquire and master plan land and gaining relevant consents; and carrying out enabling site infrastructure works to service land for development.

This agency would be the ideal vehicle to assist local authorities in finding and preparing shovel-ready sites for self and custom-built homes

Further details on the remit, structure and approach of the Housing Land Agency can be found in Annex 1.

¹¹ <http://www.legislation.gov.uk/asp/2015/6/part/9/enacted>

¹² <https://www.mygov.scot/self-build-loan-fund/>

ii. Finance

While Scotland's £4m Self Build Loan Fund is a helpful start for people looking for assistance in financing their project, it does fall short of the recently established £210m Self Build Wales, which is similar to Scotland's fund. However, the Self Build Wales loans require a 25% deposit for a plot, with the Welsh Government providing the funding through Development Bank Wales.

Likewise, the 2015 UK Spending Review established the £1bn Housing Development Fund which aims to provide loan finance for custom build, small and medium builders and innovative building methods through to 2025.

With this in mind, it might be prudent of the Scottish Government to steer a percentage of the Building Scotland Fund, or Scottish National Investment Bank funding, towards the Self Build Loan Fund.

iii. Taskforce

The Right to Build Task Force has been established by the National Custom and Self Build Association to assist Local Authorities to meet their self and custom build obligations. Scotland should follow this lead.

RICS Briefing: Housing Land Agency

Cross-Sector Support

This notion of a Housing Land Agency (HLA) is not a new one. There has been a high number of experts, and professional and trade bodies that have supported the establishment of such a group. Likewise, a plethora of reports have recommended its creation; most notably the RICS Scottish Housing Commission: *Building a Better Scotland* (2014); the Land Reform Review Group's (LRRG) report: *The Land of Scotland and the Common Good* (2014), and the Commission on Housing and Wellbeing's report '*A blueprint for Scotland's future*' (2015).

Remit and Objectives

Working in partnership with local authorities and communities, the HLA would be the key delivery agent for the purposes of:

1. Identifying and facilitating a regular supply of viable land for housing development;
2. Acquiring and master planning land and gaining relevant consents; and
3. Carrying out enabling site infrastructure works to service land for development.

Armed with both compulsory purchase order (CPO) powers and, if enacted, compulsory sale order (CSO) powers, the HLA could act as facilitator or *prime mover*.

There is often a reluctance by local authorities to use CPO powers, illustrated by an inconsistency of their application across Scotland's local authorities. By establishing this land supply leadership body, a consistent regime of CPO use could be established.

Reporting and Engagement

Whilst the HLA would sit at arms-length from Government, it would report to the most appropriate Cabinet Secretary (at present, the Cabinet Secretary for Communities and Local Government); and need to have strong working relationships with key stakeholders such as Scottish Futures Trust (SFT) and COSLA. It would also work in partnership with Local Authorities across Scotland, in addition to the communities near areas where major developments will take place.

By working with SFT, the HLA could encourage innovation in the Scottish housing development landscape, whether that is policy, funding models or delivery vehicles. This would ensure value for money from national and local investment strategies, such as City Deals or Regional Growth Accelerators, as well as being a facilitator of key Scottish Government's economic policy objectives.

Given the role of the HLA, the make-up of the body would need to comprise experienced professionals from across the built environment; for example, planners, chartered surveyors (valuation, development and infrastructure), civil engineers, and economists; supported by a secretariat team.

Alternatively, the HLA could fall within the authority of the Scottish Land Commission. However, this would require legislative change as the Land Reform (Scotland) Act provisions for the remit of the Scottish Land Commission do not provide this level of responsibility.

Funding

The HLA would require initial funding by, and directed from, Government. If the state doesn't get involved in development production, achieving decent levels of house building will not be met, and the housing crisis will not be solved. This should not be considered a burden on Government finance, but an investment in the public interest which, if managed well, can provide a return on that investment. Ultimately, this municipal entrepreneurial role should enable the public sector to have a greater input in managing production that will achieve a better balance of supply between large and small private sector producers and public sector providers.

The funding could be provided in a variety of ways, such as:

- **Loan Guarantee:** These housing guarantees could enable the HLA to raise debt with a Government guarantee – enabling them to reduce their borrowing costs.
- **Public Works Loan Board (PWLB) Funding:** New Towns and other major developments, such as Dundee Waterfront, have used PWLB funding.
- **Charitable Bonds:** These are popular for RSLs providing affordable housing. The loan to a social housing provider is repaid over ten years.
- **A non-recourse Special Purpose Vehicle:** For which private sector lenders bid competitively to provide finance for both the purchase of the land and the delivery of infrastructure.

This list is not exhaustive, but provides examples of innovative funding measures for the establishment of this body.

Furthermore, it should be emphasised that that once the land is assembled and infrastructure is in place, it can be sold to recoup the initial expenditure, and those sums could then be reinvested on other sites.

The HLA should be confident to act as leaders, manage, promote and take risks.

Land Supply

If enacted, the current Planning (Scotland) Bill will place an obligation on local authorities to identify a 10-year supply of land (replacing the current five-year land supply). Given the already stretched planning departments, the HLA can work with planning departments to ensure their new obligation is met.

Development Ready Land

With budget to install infrastructure, the HLA could service and deliver land which is development-ready.

As the HLA is not-for-profit, it could sell serviced land at full development value to the volume developers, and could, through equity participation, encourage development by locally based SME builders, custom/self-build, and co-operative housing ventures. Such a move would provide significantly wider housing variety and choice. It could also sell to traditional RSLs who will continue to provide social rented and MMR housing, alongside local authorities who will continue to build homes for social rent. While this proposal focuses on new build development, similar action could also be undertaken in regeneration initiatives including revitalising neighbourhoods and improving town centre living.

Benefits of an HLA

- Greater supply of land for development;
- Increase in affordable, serviced sites for “smaller” participants; including SME builders, self-build, custom build and co-housing, as well as the traditional larger developers and Registered Social Landlords (RSLs);
- More delivery vehicles;
- Wider range of housing tenures;
- Wider choice of housing types and sizes that serves the whole population – particularly housing for older people and those requiring greater accessibility; and
- Substantially higher build out rate

Summary Comments

There is no individual policy, action or measure that has caused Scotland's housing crisis.

Similarly, there is no individual policy, action or measure action that can solve it.

The establishment of an HLA is not the panacea to the crisis; it will not solve the crisis unaided. It can, however, make a significant contribution (as outlined in the 'benefits' section of this paper), and is one of very few measures that has received widespread backing from sectoral experts and bodies.

Successive Scottish Government administrations acknowledge the problems associated with delivering public interest development. However, the problem relates more to facilitation than policy. What is required is an essential bridge to link policy with practice; all of which requires an agency to enable action.

If operated by appropriate professional and experienced individuals, the HLA - a productive solution – will make headway into ensuring Scotland's housing needs can begin to be met.