



Background Paper: SELF AND CUSTOM BUILD NEED

October 2017

Contents

		Page Number
1	Introduction	2
2	Policy Context	3
3	Background to Self and Custom Build	4
4	Self and Custom Build Need	6
5	Meeting the Self and Custom Build Need for the Borough	10
6	Conclusion	13
7	Glossary	14
8	Appendix 1 - No. of Applicants on the Fareham Borough Self and Custom Build Register	15

1.0 Introduction

- 1.1 A series of background papers have been produced to accompany the Regulation 18 consultation on the emerging Fareham Local Plan 2036. The background papers provide an understanding of the latest evidence base and the reasoning for the policy approaches in the Plan.
- 1.2 The purpose of this background paper is to explain the processes undertaken to establish the self and custom build need in the borough. The paper will provide background on the current legislation and national planning policy guidance. The paper will also provide a breakdown of the current and future need for self and custom build in the Borough, and will provide details on how the Council intend to meet the need through the draft Fareham Local Plan 2036. It is essential that the need for self and custom build in the future is reflected within Policy H7: Self and Custom Build Homes in the Fareham Local Plan 2036.
- 1.3 Future versions of this background paper will take into account the results of the Regulation 18 consultation and help shape the final version of Policy H7 in the Fareham Local Plan 2036 relating to self and custom build homes, which will be examined by an independent planning inspector.

2.0 Policy Context

- 2.1 Fareham Borough Council's current adopted Local Plan comprises of the following three parts:
- Local Plan Part 1: Core Strategy (August 2011);
 - Local Plan Part 2: Development Sites and Policies (June 2015); and
 - Local Plan Part 3: The Welborne Plan (June 2015)
- 2.2 Local Plan parts 1 and 2 will be superseded in due course by the Fareham Local Plan 2036.
- 2.3 The new Fareham Borough Local Plan 2036 provides an opportunity to introduce new policies and/or allocations that seek to address the need for self and custom build based on the Council's evidence. This will apply to the whole borough with the exclusion of Welborne. Policy WEL21 of the Welborne Plan makes provision for self and custom build homes in Welborne and is discussed further in Chapter 5.
- 2.4 The National Planning Policy Framework (NPPF) requires Local Planning Authorities (LPA's) to deliver a wide choice of high quality homes, widen opportunities for home ownership and create, sustainable, inclusive and mixed communities. Paragraph 50 of the NPPF is explicit in that planning for a mix of housing based on current and future demographic trends and the needs of different groups in the community which should include people that wish to build their own homes. In addition, paragraph 159 of the NPPF reminds LPA's that they have a duty to assess local demand for self-build land and must make provision for that demand.
- 2.5 The National Planning Practice Guidance (PPG) provides advice on housing needs assessments and states that LPA's should identify the need for certain types of housing and the needs of different groups which includes self build and custom housebuilding. The PPG also states that from 1 April 2016, LPA's are required to keep a register to assess demand from individuals and associations who are seeking to acquire serviced plots of land in their area to build homes for those individuals to occupy.

3.0 Background to Self and Custom Build

- 3.1 A key priority of the government is to boost the supply of housing by a variety of means to meet the varied housing needs of people across the UK. Self and custom housebuilding has been identified by the government as a significant source of housing supply. To facilitate the delivery of self and custom build the Self Build and Custom Housebuilding Act was published in March 2015 and the government published new guidance on self-build and custom housebuilding registers in the PPG in April 2016, which was subsequently updated in July 2017.
- 3.2 Self and Custom Build offers residents the opportunity to build their own home. Self-build is where someone directly organises the design and construction of their home. This can include the commissioning of an architect or builder to assist with the construction process and the home owner oversees the project. Whereas Custom Build is where a specialist developer carries out the majority of the work to deliver their home. This approach is more ‘hands-off’ and is lead by a specialist developer who can handle the major steps involved with the process, including securing a plot.
- 3.4 The Building Society Association (BSA) commissioned a survey which concluded that approximately 53% of people in the UK wish to consider building their own home. However, only 7-10% of people in the UK complete the process of building their own home. In addition, research¹ carried out by Three Dragons in 2016 verified that self-build and custom build homes account for 7% of total new builds in the UK.
- 3.5 There are many benefits attached to self and custom housebuilding, such as increasing consumer choice, allowing people to downsize to the house size that they want and enabling people to get onto the property ladder.
- 3.6 National planning policy supports individuals who wish to build their own home, in particular the PPG sets out the requirements the LPA’s requirements for maintaining the self and custom build register,
- “The Government is keen to support and encourage individuals and communities who want to build their own homes, and is taking proactive steps to stimulate the growth of the self-build market”. (Paragraph 135)*
- 3.7 Self and custom build developments are also supported through exemption from Community Infrastructure Levy (CIL). The exemption applies to anyone that is building their own home or has commissioned a home from a builder or contractor. Individuals claiming the exemption must own the property and occupy it as their principal residence for a minimum of 3 years after the work is complete. The exemption is not automatically applied and need to be claimed by the applicant before the commencement of development.
- 3.8 The Housing White Paper, published in February 2017, reemphasises the government’s commitment to support the self and custom housebuilding sector. The White Paper notes that the self-build sector can provide quickly-delivered, high quality (sometimes innovate) homes, that better meets peoples’ needs and provides low-risk opportunities for small builders and sets out various measures to improved access to finance and land for potential self and custom builders.

¹ <http://three-dragons.co.uk/wp-content/uploads/2016/11/Self-Build-Sept-2016-updated-Nov-2016.pdf>

3.9 The Self Build and Custom Housebuilding Act 2015 imposes a statutory duty on LPA's to establish and maintain a register of individuals who have expressed an interest in acquiring serviced plots of land in the borough, in order to build houses for those individuals to occupy as homes. Regulations, under the Act, entitled the Self Build and Custom Housebuilding (Register) Regulations 2016, came into force in April 2016 and stated that LPA's should have their self and custom build registers in place by 1st April 2016. The 2016 Regulations were revoked on 31 October 2016, by the Self Build and Custom Housebuilding (Time for Compliance and Fees) Regulations 2016, which came into force on that date. The Regulations removed further barriers to the delivery of self-build and custom housebuilding and provided an opportunity for LPA's to establish additional eligibility criteria to the self and custom build register. The changes to the regulations are reflected in the Planning Practice Guidance (PPG).

Fareham Borough Council Self and Custom Build Register

3.10 The self-build register for the Fareham Borough was prepared by the Council and published on the Council's website on 21st March 2016². The register seeks information from individuals about the location and type of house they would wish to build, and provides evidence of the demand³ for self and custom housebuilding in the Borough.

3.11 Eligibility criteria for entry onto a LPA's self and custom build register was set out in the 2016 Regulations⁴, and stipulates that any individual or a member of an association that signs up to the register must be:

- Aged 18 or older
- A British citizen
- A national of an EEA State other than the UK, or national of Switzerland

3.12 The individual or member of an association must also seek to acquire a serviced plot of land in the Borough to build a house to occupy as that individual's sole or main residence. The Council has a duty to have regard to the Self and Custom Build Register when carrying out planning, i.e. producing Local Plans and other functions, and the register is a material consideration when determining planning applications.

3.13 In order to better understand the need for self and custom build plots in the Borough, the Council included additional questions upon establishing the register. This included information relating to locational preferences within the Borough, the type of self and custom build property and the number of bedrooms.

² http://www.fareham.gov.uk/planning/local_plan/selfbuild.aspx

³ For the purposes of the Regulations 'demand' refers to the number of applicants on the LPA's self and custom build register.

⁴ The Self-Build and Custom Housebuilding (Register) Regulations 2016.

4.0 Self and Custom Build Need in Fareham

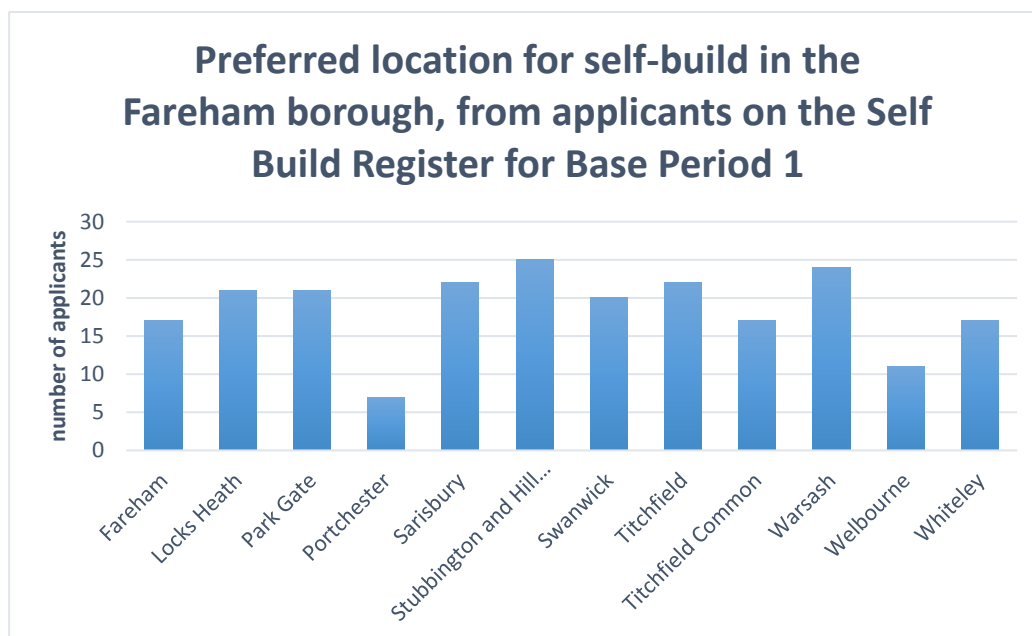
Introduction

- 4.1 Fareham Borough Council established a Self and Custom Build Register on 21st March 2016 which provides the primary source of information on the local demand for applicants wishing to build their own home. Further details on the register for the borough and associated links to national self and custom build websites are available on our website at http://www.fareham.gov.uk/planning/local_plan/selfbuild.aspx.
- 4.2 Currently, most people have registered as individuals, although groups of individuals can also register as an association. Some of the applicants have also registered an interest for a self and custom build plot in more than one Local Planning Authority (LPA) area.
- 4.3 Information on the register provides details on the needs of applicants in relation to self and custom build, including identifying the preferences for the types of self and custom build plots. The data will be used to help the Council meet its duties under the Self Build and Custom Housebuilding Act 2015 and the Housing and Planning Act 2016.

Location

- 4.4 The Council's established Register identifies the preferred locations for applicants for self and custom plots in the borough. Information provided in Figure 1 relates to applicants that signed up the register in the first base period⁵. The majority of individuals requiring self and custom build plots expressed a desire for these to be located in Stubbington and Hill Head. However, some applicants on the register have selected more than one location as their preferred area for a self or custom build plot.

Figure 1 – Preferred location for self or custom build in the Borough



Number of Bedrooms

⁵ 21st March 2016 – 31st October 2016

4.6 Applicants on the register also supplied information on their preferences for the number of bedrooms for a self or custom build home. The information supplied for Figure 2 is taken from the register for the first base period⁶, and it is noted that applicants have selected more than one preference for the number of bedrooms they would require for their self or custom build home. Figure 2 indicates that the preference is for larger homes with three to four bedrooms, which suggests that there is a need to provide self-build homes for larger families.

Figure 2 – Preferred no. of bedrooms for self-build properties



Duty to have regard to the Self-Build register

4.7 The Housing and Planning Act 2016 amended the Self Build and Custom Housebuilding Regulations by requiring LPA's to support those individuals on the register by identifying enough suitable plots of land to meet the need identified on the register. In addition, the Act sets out that:

- Demand is evidenced by the number of entries added during specific base periods (as detailed below).
- Permission is considered suitable if the development could include self and custom build.

4.8 The Self-Build and Custom Housebuilding Regulations 2016 require LPA's to grant suitable development permission (this includes planning permission or 'permission in principle' for a serviced plot) in respect of enough plots of land. This will ensure that demand is matched on the self-build register arising in the borough from each base period. The demand must then be met within 3 years of the year in which applicants joined the register.

⁶ 21st March 2016 – 31st October 2016

Calculating the borough's current self-build need

- 4.9 The Self and Custom Housebuilding Regulations set out the requirements for determining the need for self and custom build by using the information contained on each LPA's self and custom build registers. In addition, the PPG states that the self and custom build register should provide valuable information on the demand for self and custom build and form a key part of the LPA's evidence base of demand for this type of dwelling.
- 4.10 The 2016 Regulations and PPG state that the need for self and custom build should be assessed against 'base periods'. The first 'base period' is determined from the day the Council established the self-build register, which came into effect on the 21st March 2016, to the day that section 10 of the Self Build and Custom Housebuilding (Time for Compliance and Fees) Regulations 2016 came into force, which came into effect on 31st October 2016. Each subsequent base period will begin the day immediately following the end of the last base period and lasts for a period of 12 months.

Table 1 –Base Periods for Fareham's Self and Custom Build Register and the deadline for Granting Suitable Planning Permissions

Base Period for the council's Self and Custom Build Register	Deadline for granting 'suitable planning permission' for self-build plots for the Base Period
Base Period 1 (21/03/16 - start of register to 31/10/16)	31/10/19
Base Period 2 (01/11/16 to 31/10/17)	31/10/20
Base Period 3 (01/11/17 to 31/10/18) (and continuing on this rolling annual basis)	31/10/21 (and continuing on this rolling annual basis)

- 4.11 The Regulations⁷ place an additional duty on authorities to provide sufficient development permissions (i.e. plots with permission) to meet the need for self and custom build in the borough. Table 1 provides a breakdown of the base periods in relation to the Council's self and custom build register and the deadlines for providing suitable development permissions to meet the need for each base period. 35 applicants joined the self and custom build register within the first 'base period'. Therefore, the Council must provide suitable planning permission for 35 self and custom build plots by 30th October 2019. These will need to be serviced plots, or plots which can be provided with the relevant services before the permission expires. The Council is currently at the latter end of the second base period. Therefore, the need for the second base period will be established in a future version of this background paper.
- 4.12 It is possible that in any given base period the number of applicants seeking to acquire serviced plots could outnumber the supply of developable serviced plots, and this is certainly the case for the first base period. It is therefore important that the Council only grants suitable development permission to applicants seeking to bring forward serviced plots of land who have a realistic prospect of developing the plot.

Windfall allowance

- 4.13 National planning policy allows for LPA's to consider windfall sites in their housing land supply, in particular paragraph 48 of the NPPF states that,

⁷ The Self-build and Custom Housebuilding Regulations 2016

'LPA's may make an allowance for windfall sites in their five-year supply if they have compelling evidence that such sites have consistently become available in the local area and will continue to provide a reliable source of supply'.

- 4.14 The methodology for calculating the borough's future self and custom build need over the plan period could include a small self/custom build windfall allowance (sites of 1 unit that fall within the definition of self/custom build). There are a number of permissions that have provided a consistent supply of self-built homes in the borough between 2011 and 2016. These permissions fall within the definition of a 'windfall site'.
- 4.15 There are 21 development proposals that have been granted planning permission that would fall within the definition for self and custom build. However, 12 of these sites have already been completed and are therefore, not available to meet the demand on the register. Therefore, there are 9 sites which have been granted planning permission over the five-year period, and are available for self and custom homes in the Borough.
- 4.16 However, the Housing and Planning Act 2016 states that any planning permissions granted before the first base period cannot be counted towards meeting the current need for the applicants on the register within the first base period. There were four applications that were granted planning permission since the register was established on 21st March 2016 that would meet the self and custom build need.
- 4.17 The number of windfall sites available constitutes 11% of the total need for self-build required by 31st October 2019. There are a further 31 sites that are required to meet the need on the self and custom build register for the first base period which must be granted suitable planning permission by 2019. This requirement is considered further below.
- 4.18 It is considered that there is clear evidence that plots have been permitted and consistently become available for self-build in the borough, with an average of 4 plots becoming available each year. It is considered that this is an important source of housing supply to meet the borough's self-build needs, and the principle of including a small self-build windfall allowance is justified. Based on the average windfall allowance of 4 plots for self and custom build homes becoming available each year, it is likely that a further 8 plots will become available before 31st October 2019. Therefore, the Council will need to make provision for a further 23 plots to meet the demand as evidence on the self and custom build register for the first base period.
- 4.19 The supply of self and custom build homes will be monitored through the annual monitoring process⁸ in order to ensure the council is delivering the required supply against the need evidenced on the self and custom build register.
- 4.20 This approach ensures that the need for self and custom build in the Borough is consistently reviewed and monitored against the three-year deadline to grant suitable planning permissions for self and custom build plots.

⁸ Through the Council's Authority Monitoring Report - http://www.fareham.gov.uk/planning/local_plan/amp.aspx

5.0 Meeting the Self and Custom Build Need for the Borough

- 5.1 Currently, the council can only establish the current need for self and custom build plots in the Borough for base period 1, which must be granted suitable planning permission by 31st October 2019.
- 5.2 The Council is at the latter part of the second 'base period' and therefore, does not have a complete indication of the number of applicants that have joined the register for that specific period.
- 5.3 It is vital that LPA's review and revise planning policies to ensure they plan for sufficient self-build and custom housebuilding in their authority area. The council intend to use the data collected on self and custom build need, as set out above, to understand the demand and to support self and custom build by including a specific self and custom build policy in the draft Fareham Local Plan 2036 to improve the supply of land for self and custom build housing.
- 5.4 Self and custom build homes fall within the same C3 use class category as dwelling houses. Therefore, there is flexibility to accommodate future demand for plots on land allocated for residential use.

Local Plan Part 3 (LPP3): Welborne Plan

- 5.5 The Welborne Plan which was adopted in 2015, provides for small builders and individuals that are looking for self or custom build plots in Welborne. The Council have allocated a proportion of the new housing land at Welborne, during the plan period to be made available to those who wish to build their own home. Areas dedicated to the self-build plots will be incorporated into the comprehensive masterplan for the planning application for the site, which will be in accordance with the Welborne Design Guidance Supplementary Planning Document (SPD).
- 5.6 Policy WEL21 of the Welborne Plan states that not less than 1% of all homes at Welborne should be delivered as custom build plots. This equates to 60 homes that would meet the Borough's future demand for self and custom build. It is anticipated that the plots in Welborne will be delivered to the mid to latter end of the plan period.

Proposed approach and policy justification

- 5.7 The approach for self and custom housebuilding is set out in the reasoned justification of Policy H7: Self and Custom Build Homes of the Fareham Local Plan 2036. The Policy supports and makes provision for self and custom housebuilding where they comply with all other relevant policies of the draft Local Plan. Policy H7 requires the provision of at least 5% of dwelling plots of sites of 100 dwellings or more, to be made available for self and custom builders, subject to demand in the Borough being identified. Percentage policies that require a proportion of larger housing developments to be reserved for self and custom homes are being adopted by a number of LPA's. This is deemed an effective way of generating a significant number of plots for self and custom build properties where there is an established demand.

- 5.8 Whilst it is recognised that not all sites and locations will meet the specific requirements of local demand, the Council will encourage where feasible the provision of serviced plots within residential schemes that are in accordance with the draft Local Plan. The plan also allows sufficient flexibility in that the inclusion of a percentage policy for self and custom build proposals will meet the needs for self and custom build over the life of the Local Plan.

Monitoring

- 5.9 The Council will publish information in the Authority Monitoring Report (AMR) on the self and custom build register. The AMR will provide information on the number of individuals and associations on the self-build and custom housebuilding register within the relevant base periods, as well as the number of plots secured through suitable planning permissions granted since the register was established. This will provide an indication on the Council's progress on meeting its self and custom build needs.

Local Connection Test and Charging Fee for the Self and Custom Build Register

- 5.10 Regulations that came into force on 31st October 2016⁹ allows scope for the LPA to introduce a local connection test to be set by LPA's, and allow the LPA to charge applicants a specified fee for administering the register. In addition, LPA's can charge a fee on an annual basis for each base period where applicants wish to remain on the register. This additional eligibility criteria allow LPA's to regulate entry onto the Self and Custom Build Register and provide a realistic indication of local demand for self and custom build.
- 5.11 Several LPA's in the UK are charging a set fee for entry on the self-build and custom build register to cover the Council's reasonable costs as permitted by the relevant legislation. As it currently stands the council's register is very easy to gain entry onto. This means that anyone who meets the criteria outlined in paragraph 3.8 can gain entry onto the register regardless of whether or not there is a need for obtaining their own self or custom build plot and whether or not they have a local connection to the Borough.
- 5.12 The Council recognise that during the first base period and mid-way through the second base period the number of applicants gaining entry onto the register has not been regulated. Therefore, the Council proposed to set a charging fee of £20 to gain entry onto the self and custom build register to cover the Council's reasonable costs as permitted by relevant legislation and to ensure the register provides a realistic indication of demand for self and custom build plots going forward. The Council also proposed a fee of £10 for all applicants wishing to remain on the register for each base period (effectively an annual fee).
- 5.13 The Self Build and Custom Housebuilding (Time for Compliance and Fees) Regulations 2016 also allows LPA's to introduce a local connection test to the self-build register to demonstrate that applicants have a 'sufficient connection with the authority's area'. This would ensure that the Council's register would not be inflated by demands for self and custom build properties from outside the Borough. The Borough Council approved the introduction of a 'local connection' test and the charges outlined in paragraph 5.12 at a meeting of the Executive on 10th July 2017.

⁹ The Self and Custom Housebuilding Regulations 2016 and The Self and Custom Housebuilding (Time for Compliance and Fees) Regulations 2016

- 5.14 The regulations do not specify how the local connection test should be applied. However, prior to the introduction of the test applicants can join multiple registers across the UK regardless of whether they have a need for self or custom build property.
- 5.15 The Executive report sets out the following criteria for applicants to demonstrate that they have a 'local connection':
- Have lived in the borough for at least two years¹⁰; or
 - Have been employed within the borough, and have been employed for more than 16 hours per week for the last two years¹¹;
- 5.16 The above criteria is the same used for the Council's housing waiting list.
- 5.17 Once the additional eligibility criteria have applied, the register will be divided into two parts in line with the Regulations; Part 1 for those applicants that meet the local connection criteria and Part 2 for those that meet all of the criteria apart from the local connection test. The information will then be used to regulate the demand in the Borough for self and custom build plots. The regulations cite that individuals that meet all eligibility criteria except for the local connection test will be registered but do not count towards the assessment of local demand. The adoption of a 'local connection' test for applicants joining the register allows the LPA to provide a more realistic indication of demand and avoid the double counting of self and custom build plots.
- 5.18 A number of LPA's in the UK have adopted a charging fee and/or a local connection test to regulate the applicants joining the self and custom build register. Basingstoke and Deane Borough Council (BDBC) introduced a fee charge of £15 to gain entry to their self and custom build register and a local connection test on 10th April 2017. Prior to the introduction of the fee charge and local connection test an average of 15 applicants signed up the self and custom build register per month in the first base period. Following the adoption of the charging fee and local connection test on 10th April 2017 there has been a significant reduction in the number of applicants signing up to the register, principally 3 applicants (80% reduction) signed up to the register per month.
- 5.19 The Borough Council approved the introduction of a charging fee, and a fee for those applicants wishing to remain on the register at a meeting of the Executive on 10th July 2017. The charging fee and local connection test was applied to the Council's Register from 1st August 2017.
- 5.20 Following the introduction of the charging fee and the 'local connection test' for applicants on the self and custom build register that was applied from 1st August 2017 there have been 2 individuals that have joined the register as of 19th September 2017.
- 5.21 Further monitoring will therefore be required relating to future need for self and custom build as since the introduction of a fee and local connection test insufficient information is available to form a reliable trend based analysis on future need. Ongoing monitoring and review will be undertaken in this area.

¹⁰ Applicants would be expected to provide a form of ID (either a passport, driving licence or birth certificate) plus a utility bill demonstrating the name and address of the applicant) The bill has to be at least 2 years prior to the application in order to meet the criteria.

¹¹ Applicants would be expected to provide a current payslip and a payslip dated at least 2 years prior to the application in order to meet the criteria.

6.0 Conclusion

- 6.1 This paper sets out the need for self and custom build in the Borough. There are 35 applicants on the Council's Self and Custom Build Register in the first base period. However, 4 plots have been granted suitable planning permission since the register was established and it is anticipated that a further 8 plots will be granted permission through a 'windfall allowance' by 31st October 2019. The Council are required to grant sufficient planning permissions to meet that need within 3 years, i.e. by 31st October 2019. The Council will also be required to meet the need identified on the register in each subsequent base period within 3 years of that base period, and this will need to be taken into account when identifying the housing needs for the Borough spanning the life of the Local Plan.
- 6.2 The incorporation of self and custom build in Policy H7: of the Fareham Local Plan 2036 ensures that the right mix of plots are available at the right time in order to meets the need for self and custom build at evidenced on the self and custom build register. In addition, 60 fully serviced self and custom build plots will be provided during the lifetime of the Welborne development specifically in Welborne.
- 6.3 The introduction of a fee and local connection test to the self-build register will ensure that the need for self and custom build plots in the Borough is regulated. It is also anticipated that there will be a significant reduction in the number of applicants signing up to the register as demonstrated in the example of BDBC, providing a more realistic indication of the need for self/custom building the Borough.
- 6.4 The Council will be able to monitor the impact of imposing the local connection test and fee on the need for self and custom build plots through the AMR. The AMR will provide annual information on the current need for self and custom build and how many suitable planning permissions the Council has granted for each base period to date.
- 6.5 The Council implemented an additional local connection test and charging fee for applicants on the self and custom build register, which took effect from 1st August 2017. At this early stage in the process it is difficult to predict a reliable trend based future need for self and custom build properties in the borough over the plan period. Policy H7 of the draft Local Plan seeks to address the Borough's potential future need for self and custom build, whilst also potentially addressing the Borough's current identified need of 27 self/custom build plots.

Glossary

Self-Build – Where an individual directly organises the design and construction of their new home.

Custom Build – Where the individual works directly with a specialist developer to help deliver their new home.

Serviced Plot – A plot that is ready to build on. That means that the plot will already have utility connections, such as water, gas electricity, mains sewage, broadband and telephone, as well as access from the public highway. Therefore, all the infrastructure that is required to start building the home is already in place.

Appendix 1 – No. of Applicants on the Fareham Borough Self and Custom Build Register

	Mar 16	April 16	May 16	June 16	July 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17	June 17	July 17	Aug 17	Sep 17	TOTAL
No. of Applicants joining the Register	7	4	6	2	1	5	8	3	8	3	6	5	17	2	6	7	4	0	3	97

N.B. Dotted line indicates the introduction of the charging fee and local connection test on 1st August 2017.