

Self-Build and Custom-Build

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07 May 2014

Volume 580

Motion made, and Question proposed, That this House do now adjourn.—(Gavin Barwell.)

🕒 6.22 pm

Mr Richard Bacon (South Norfolk) (Con)

It is a great pleasure to have an Adjournment debate on the importance of self-build and custom-build housing, and particularly to do so in national self-build week, so may I start by thanking you, Mr Speaker, for allowing this debate in national self-build week?

Grand Designs Live has been taking place at the ExCeL centre in the last few days and has had over 100,000 visitors, and I know that a number of Department for Communities and Local Government Ministers have attended the event, which was greatly appreciated. It was an excellent thing to support. I also want at the outset to give credit to Mr Ted Stevens for all his work in this area. He runs the National Self Build Association, NaSBA, and he has done much, against the odds, to promote this sector and help people understand that building their own property, or getting a piece of land and getting somebody to build a property for them, is possible.

My interest is as the recent founder and chairman of the new all-party group on self-build, custom-build and independent housebuilding. I should also say at the outset that the term “self-build” is in some ways perhaps almost uniquely unhelpful as it immediately creates the impression that everyone who wishes to do this has to learn how to become a plumber or an

electrician or a joiner, and that simply is not the case. Probably the best definition I have come across was in a paper by Alex Morton, then of Policy Exchange, called “A Right to Build: Local homes for local people.” I should say that Alex Morton has done a great deal to promote the interests of this sector and to draw the Government’s attention to its value. In answer to the question about what we mean by self-build, he stated:

“The notion of self-build...does not mean that the entire process is handled by a single individual from start to end. It means that an individual or family has had serious input in the design and construction of a house, a house they then live in for a prolonged period of time.”

At the moment, part of self-build’s image in this country is as running on a spectrum from the “muesli fringe” to the eccentric wealthy wives of hedge fund managers. Those elements do exist, and I say nothing against either of them. We might say that what the muesli fringe are trying to do with community-led, bottom-up solutions is reach for ways of dealing with housing problems in an environment in which they feel powerless. What I would like to do, and what I would like to see the Government do, is make it even easier for their voices to be heard. The idea of a muesli fringe at one end and hedge fund managers’ wives at the other is a caricature. Self-builders make up an important but small part of the housing market, with about one in 10 houses being built in that way.

The self-build market is divided into a number of different components. Perhaps the most established is what we might even call the “established market”, comprising people in their 40s, 50s or early 60s who already own a property and have the cash available to buy a plot, and whose typical budget is in the region of £250,000 to £350,000. Such people are primarily driven by the opportunity to have the home they really want and to reduce running costs. A moot point, which we might deal with later, is why the big national house builders, the top 10 of which are responsible for 50,000 houses a year, do not already build houses that have extremely low running costs. They build houses that have lower running costs than the ones they were building 20 years ago, but it is possible to build a house that costs £200 a year to run, as I found when I visited a Passivhaus in my constituency that was built by the excellent Saffron Housing Trust. As I was told that, I thought that that is exactly the sum we pay out on the winter fuel allowance each year, and it would be much better to have homes that cost little to heat rather than paying so much money to people to insulate poorly

constructed and insulated homes of an old design. Of course this goes further than that because, as anyone who has watched “Grand Designs” will know, it is possible to build a house that actually makes people money—it makes an income because it is so fuel-efficient.

The sector I just described, the more established market, is only one part of the self-build market—or the interest for self-build, as I should call it. The potential boom that could arise in self-build will be driven by a different group of people: a younger generation in their 20s, 30s and perhaps 40s, many of whom are struggling to afford a new home and have much smaller budgets, perhaps of £100,000 or up to £200,000. Such people will be driven by the opportunity to have a say in the home they really want, but mainly by the affordability benefit.

One of the most important aspects of this debate is the idea that self-building is an eccentric or odd activity, because in fact the UK is the outlier. Nearly all the other countries in the developed world do this much better than we do. In Denmark 40% to 45% of houses are constructed in this way. In France and Germany, countries that are in many ways comparable to the UK, although France has a bit more land, the figure is more like 50% to 60%. The figure for Sweden is 65% and even the figure for little Austria is 80% or higher. The issue is the structure of our entire market and how difficult that makes it for anyone who would like to self-build to get things off the ground. People often do not have a real or effective choice that they can turn into a reality; it is an aspiration rather than a reality in many cases.

That brings me to the issue of choice in the marketplace. When we ask what people spend most of their money on, we find that for nearly all of us it is where we live, whether we are renting or buying, yet more genuine choice exists in the market for beer, apples or perhaps even toothpaste than in the market for housing. It is an extraordinary paradox that where people spend the most money, they also have the least choice. That happens because of a collision of at least three important facts. The first fact is land—they have stopped making it. There is no land any more—there is a permanent scarcity of land, which leads to fact No. 2: the planning system. There is a plethora of rules and regulations that have been developed over many decades to deal with that scarcity. Thankfully, the Government have

slimmed down the planning regulations from an indigestible 1,300 or 1,400 pages to something that the lay person can begin to read and get their head round. That was very much overdue, and I give enormous credit to the Government for doing so.

The system still has to cope, whether there is a 52-page policy framework or whether there are hundreds and hundreds of pages. It has to deal with the intrinsic issue of the tension between competing land uses. Fact No. 3 is the nature of the stock market and our very open capital markets. I mentioned earlier that the top 10 house builders do about 50,000 houses a year; the top 25, including the next 15, do another 25,000. The top 25 are responsible for about 74,000 or 75,000 houses a year. Because they are large and publicly quoted, they have relatively easy access to the capital that they need. They buy up the land that they need to build, and sit on it, land banking it in some cases for years.

“Land banking” is something of a misnomer, because it implies that people buy the land, but they do not always do so. What they often do is buy the option to buy it. They pay a landowner a sum for the right to buy the land for a specified period in future, and by doing so they can obtain the advantages of owning the land—crucially, preventing anyone else from owning it or even trying to buy it—without the inconvenience and cost of capital outlay. That approach, from their point of view, is much more flexible.

The current system does not give large house builders an incentive to become long-term place makers and place shapers. I do not blame large, national house builders for acting as they do: they are merely acting rationally within the constraints of the system. In fact, one could say that large-scale house builders are not so much incentivised as required by the current system to take as short-term a view as possible. They have to get in, build the houses and sell them. They have to pay as small a contribution as they can get away with towards the infrastructure; then they have to get out.

What is the result? Kevin McCloud, the presenter of “Grand Designs” who spoke at a packed all-party meeting—I am pleased that DCLG Ministers attended—said:

“The consumer has been on the receiving end of a pretty poor deal. We build some of the poorest performing, most expensive and smallest homes in Europe. That’s not something to celebrate.”

It could be quite different. According to Ipsos MORI, 53% of the adult population would like to build a house at some stage in their life, and 30% would like to do so in the next 15 years. Some 14% are researching how and what to do, and whether they can finance it. More than 1 million people want to buy a site and start building in the next 12 months.

Much of that is aspirational thinking demand rather than actualised demand, if I can put it that way without getting too Hegelian. The fact is that it is very, very difficult. If someone tries, the first thing they encounter is some official at the council saying, “Have you done the archaeological survey?” They will say, “I’m sorry, I didn’t know that I needed to do an archaeological survey.” At every stage, the process is made as difficult as possible. The two key issues are the availability of land for purchase by individuals and finance. I pay tribute to Lloyds bank, which helped to sponsor the report published by the university of York a year ago. That report was entitled “Build-it-yourself? Understanding the changing landscape of the UK self-build market”. Stephen Noakes, who is a senior official at Lloyds bank and head of mortgages, came to our last meeting with DCLG Ministers.

The university of York report points out—and Mr Noakes from Lloyds bank dwelt on this—the need to create structures that de-risk the process and make it easier for financiers to come in and take a serious interest and a serious stake in this space.

The university of York report states:

“Both individual and group self-build are characterised throughout by uncertainty. In part this is due to the components of self-build being organised as a series of silos and disjunctures. Each step (land acquisition, design, planning, finance etc.) is often taken without any certainty that subsequent steps will be realised. Uncertainty brings delay and sometimes additional costs. Few steps have been taken towards forging more integrated approaches, but these could bring significant benefits in terms of greater certainty, less risk, control of costs and speed of completion.”

A variety of different mechanisms might be used for that. Off-site construction, which is now a completely different world from what it was when we spoke pejoratively of prefabs 50 years ago, is one such example. The Passivhaus that I mentioned earlier, which I visited in my constituency, had triple-glazed windows that were constructed off-site and installed as

completed units. Why is it that all house builders in this country do not as a matter of standard policy install triple-glazed windows, because it would be much better and much more energy efficient in the long term?

The Government's response so far has been quite encouraging. The announcement in the Budget, which did not get a huge amount of coverage, but which I was enormously excited by, was for £150 million to help councils to develop serviced plots. A serviced plot is what it sounds like. It is a plot where, instead of being a scruffy piece of land where people cannot see which bit they own and which bit they do not, the difficult bits have already been done. The roads and sewers have been constructed and the foul and fresh water have been connected for the housing, as have the electricity and the gas. There is a lot of experience of that on the continent. In the Netherlands, where this has been done in Almere, which is just opposite Amsterdam on the other side of the IJsselmeer, if 100 serviced plots are put on the market at the same time, people queue through the night, like they do outside Harrods before the January sale, for the chance to buy one.

There is enormous pent-up demand in this country as well, but it just does not know where to go or how to get a foothold. That is why the Government's initiative to promote the development of more serviced plots, essentially to take steps towards a much more integrated approach, is so important. It is—I say advisedly—only £150 million. I would have preferred it if it had been even more, but it is not nothing. It will do a considerable amount for the self-build sector. It will make a big difference in the next couple of years. I fully expect it to be a success, particularly as the money is recyclable. The money has to be put in for the plot. Simple mathematics tell us that £150 million for 10,000 plots is £15,000 a plot, but the money is returned, and it can be used again. That is the great attraction of this approach. I hope that once it has proved successful, as I am sure that it will, the Government will take this considerably further.

What I had not appreciated when I started getting interested in this was the breadth of possibilities of self-build and custom-build. My first interest in the sector was spawned by representing a very rural constituency where many young couples simply cannot imagine how they will get on the housing ladder, let alone in the village where they grew up, have a stake in their own community, own their own house and start a family there in the way that they saw their parents do.

The multiple of average income that is required to buy an average house is now nine times, when years ago it was three or four times. The position has got a lot worse even in the past 10 years or so. One has only to look at the decline in the proportion of people who own a house to see how desperate many young people must feel and how difficult they must regard the future in terms of achieving what their parents achieved, which they might have thought that they, too, would be able to achieve.

I have begun to realise that the potential is much wider. I pay particular tribute to Stella Clarke, who runs the Community Self Build Agency in the Bristol area and who came to one of our all-party group meetings with Kevin McCloud, for finding young men from ethnic minorities, who might have been rioting five or 10 years ago, and getting them to the point where they are building a stake in their own community. This is not necessarily about everyone learning how to become a plumber or an electrician, but it is also true that this space does present enormous opportunities for the skills agenda.

Saffron housing association, in addition to doing great work locally, has launched an apprenticeship scheme for micro-businesses that find it too difficult to take on the administration of having an apprentice. It has taken 20 students from Diss high school and said to the micro-businesses, “We will handle all the paperwork for you to have an apprentice. You just take the apprentice.” The scheme has been so successful that the Minister for Skills and Enterprise who is responsible for apprenticeships has been to see it. The scheme will be repeated again this year.

I do not think for one moment that we will all learn how to become plumbers, electricians and joiners, but we should not underestimate the scheme’s potential to help people who have felt marginalised, disaffected and cut out to have a stake in society. They can physically help in the process of building their own stake in society.

Berlin has gone further and proved that this movement can be done at scale, which is why I plan to take a group of parliamentarians and others to Berlin at the end of next month. It is not simply a case of 50 units here, or 100 units there. Some 190,000 dwellings have been constructed in Berlin by self-build and custom-build groups. What is fascinating in Berlin is that the municipality—the local council or the Berlin senate—actively seeks to help. For example, a group of parents will come together and say to the local council that they want to build a block of apartments with a garden in the middle and a school. The social glue that

holds them together is the fact that their children all have some special need. The parents have a common interest in developing something that meets their children's needs. The local council will say, "How can we help you?" If it can be done there, it can be done here. In Berlin, a group of 25 women between the ages of 60 and 70 decided that they wanted to build an apartment block together. They are friends, and if one of them goes into hospital to have a hip replacement, she has 24 friends whom she knows will be there to look after her dog.

The building group model has tremendous possibilities, and the fact that this does not simply mean private individuals for private ownership is under-appreciated. I am a huge supporter of private individuals owning private property and having their own stake in society, but this model has been used successfully in the Netherlands, Berlin and elsewhere for community groups, rent and shared ownership. The possibilities are very broad indeed.

The possibilities for institutional investment are much broader than might first have been realised. If an institutional investor wants to gain exposure to the residential housing market, their option is to buy shares in one of the large national house builders. However, as Saffron housing has proved recently, it is possible even for a small to medium-sized housing association to launch a bond. Saffron recently launched a £125 million bond, which will be drawn down in stages over the next 30 years or so to finance its development programme. If there is an appetite among institutional investors for investing in that sort of vehicle, it is quite possible that if we gave those investors, who anyway have a need to invest for the long term, the opportunity to invest directly in unlocking land and infrastructure, there would be a considerable response, particularly if it were done in a way that coupled their investment horizon needs in a way that enabled place making to occur rather than simply the construction of housing units.

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Paul Uppal (Wolverhampton South West) (Con)

My hon. Friend is making a compelling speech. I worked in commercial property real estate for 20 years before I came to this place, and the holy grail, particularly on residential property, is to get institutional investment flowing inwards to residential developments. May I just say that that is a non-political point? It is the crucial issue if we are to get housing balanced within the UK.

Mr Bacon

I am delighted by my hon. Friend's supportive intervention. I believe that that is achievable, as there is institutional appetite and institutional demand out there. The thing that I find extraordinary about the current residential housing market, which to me proves that there is a systemic problem, is that we seem either to be almost in a state of sclerosis, with almost nothing happening and all the land on which anything might happen being optioned up to the hilt by large-scale house builders, so that individuals and small commuter groups can simply cannot get hold of it, or to be almost perpetually talking about the next housing bubble and how we need to dampen down demand.

On that point, I do not believe that the Help to Buy scheme has been a contributor to any putative housing bubble. I feared when it was launched that that would be the case, and we considered the issue in detail in the Public Accounts Committee when we took evidence from Sir Bob Kerlake as permanent secretary at the Department for Communities and Local Government. It is absolutely clear, and would be to anyone who considered the evidence, that the Help to Buy scheme has not contributed in any significant way to a housing bubble.

The housing market cannot function as it should, in a reasonably non-volatile way, if we swing between these wild extremes of inactivity and housing bubbles when the need for people to have a roof over their heads does not go away. It is a sustainable long-term need that ought to be capable of being met through institutional investment that is, after all, looking for a long-term sustainable return. I do not think that it is beyond the wit of man or woman to link those two, and there are interesting possibilities, although in this short debate I shall not have time to explore them fully.

After the Budget, I stopped an aide of the Prime Minister in the corridor to thank him for the £150 million provided in the Budget for serviced plots. When I explained that it was for self-build and the nascent but not yet legalised right to build that we want to see, his instant response was to say, "Oh, I want to do that." The number of people I have conversations with who say, "Oh, I have always wanted to do that," is why I believe the Ipsos MORI figures.

There is a difference between having an aspiration and being able to do something about it and there is such a big gap between the two because of the structure of our housing market, which does not really meet customers' needs. The Government have made an enormously important start with this £150 million. This approach could become the new normal, but the fundamental shift that we need is to start treating the building of houses as if customers mattered.

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🕒 6.47 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Kris Hopkins)

I congratulate my hon. Friend the Member for South Norfolk (Mr Bacon) on securing this debate and pay tribute to him for his work as chairman of the new all-party group on self-build, custom-build and independent housebuilding. I appreciated the opportunity to address the all-party group a few months ago. Let me also put on record my appreciation for the massive contribution that Ted Stevens has made to the custom-build and self-build industry, driving it forward positively.

As we have heard, my hon. Friend is very passionate about this issue and is a persuasive advocate of custom and self-build housing. He has rightly highlighted the huge potential that broad sector has to help support the need to build more houses in this country. The debate could not be better timed. As he mentioned, we are in the middle of the second national custom and self-build week, which was launched on Saturday by my right hon. Friend the Secretary of State for Communities and Local Government at Grand Designs Live. That is an initiative that my Department is delighted to support, as it draws national attention to the huge potential of this form of housing to become a mainstream housing option for any aspiring home owner in this country.

Why does this question matter to the Government and why do we support the sector? Unlike the previous Administration, who did absolutely nothing to support self-builders and custom-builders in this country, the Government are committed to and are offering strong support to this part of the sector. We face a huge challenge in building the number of homes that are needed, and we must look at all opportunities to stimulate that supply. Supporting more

self-build and custom-build housing is part of a much bigger package of housing supply initiatives the Government are introducing to get more homes built. Some 165,000 affordable houses will be completed next year to add to the housing supply. We have just closed on bids to deliver another 170,000 houses in the years to 2018. We have allocated some £1 billion to deliver 10,000 houses in the private rented sector and we have launched a prospectus to encourage councils to bid for £300 million to deliver housing across the sector.

My hon. Friend kindly mentioned the Help to Buy scheme, and I agree that it is a huge encouragement to enable people to get on the housing ladder. Some figures have been issued in the last 24 hours that are pertinent to the debate. Under the Help to Buy scheme, the average mortgage is £145,000 with an average deposit of £36,000. While it is a vital part of our offer on housing, it constitutes only 2% of transactions, and I do not believe it is fuelling a bubble.

Many people would love to own their own home. As my hon. Friend said, research by Ipsos MORI has shown that more than 1 million people want to do so in the immediate future. That strong level of interest is not surprising. Custom-build and self-build housing offers people more choice and the ability to design a home to suit their own needs, leading to greener and better designed homes. In many cases, that is more affordable than buying a home in the conventional way. A report published by Lloyds Banking Group concluded that self-builders can save between 20% and 25% on the cost of an equivalent home on the open market, a crucial saving for those who are trying to get on the housing ladder.

There are wider benefits. A strong custom-build sector helps diversity and strengthens our house building industry, bringing new opportunities for medium and small house builders. It can also speed up the supply of new homes where there is strong demand for plots. It sustains and creates new jobs and supports local economies. As my hon. Friend said, it helps young people who are going into apprenticeships and vocational jobs—an important part of the economy—which are facilitated by this type of build.

Let us be clear. The custom-build sector already makes an important contribution to our housing supply with around one in every 10 homes being built or commissioned by individuals. That is much more than many volume builders are already building. It is important to say that custom-build and self-build are already facilitating a turnover of around £4 billion per year.

There is significant growth potential in the sector. Among our European neighbours, more than half of all new homes are built and commissioned by self-builders—about 60% in Germany and more than 80% in Austria. We must do more to facilitate that, which is why we have looked at our national planning policy framework for land to ensure that councils can assess and plan for the needs of people who want to build their own homes. I encourage my hon. Friend and the all-party group to contribute to the call by Nathalie Elphicke and Keith House for evidence on how to get and utilise more local authority land for building houses.

As has been mentioned, there is a real challenge in securing finance. We have launched a £30 million custom-build homes fund to provide repayable finance for larger custom-build developments. We have given self-build groups access to some £65 million under the affordable housing guarantee programme. We are engaging with lenders to ensure that there are more self-build mortgages available in the sector.

This Government now have a strong reputation for removing red tape. Self-builders are now exempt from the community infrastructure levy, potentially saving them thousands of pounds on individual projects. We have just finished consulting on a similar policy to change section 106 charges. We have also simplified design and access statements and made it easier to change the use of buildings to housing, which the industry has welcomed.

An important aspect is making sure that we can get advice out to consumers and developers. We have worked with the custom and self-build sector to launch an online portal to provide better information for self-builders. It has received more than 35 million hits and now attracts about 20,000 new users each month. That is fantastic progress and a clear demonstration of the interest in this sector. We were delighted to be able to secure Kevin McCloud as the new industry champion. He is doing an excellent job in raising public awareness of the benefits of custom-build. We have worked closely with the National Self Build Association to facilitate a range of new guides and advice to councils, developers and consumers on self-build and custom-build housing.

We have had some successes to date. There are up to 5,000 new plots in the pipeline and many new projects coming forward across the country, with thousands more to come. Some 60 councils have brought forward land and new initiatives, including Stoke, Cherwell, Woking, Hereford, Cambridge and Newcastle. We now have 26 lenders who are interested in this sector—10 more than in 2011. We have cut red tape, as I mentioned, and put portals in

place to make sure that people have access to information. Making custom-build a mainstream housing option is very important for this Government, but we recognise that there is still a long way to go in doing so. The next step is to end the myths about this sector, and that will be a significant move forward.

In the Budget, we made some major commitments to driving this forward. I recognise and appreciate my hon. Friend's comments about the consultation that is about to take place on right to build. That proposal recognises that some councils already provide land for custom-build, in response to local demand. We want to encourage that further. We will identify a small number of councils that want to act as vanguards to test how the right-to-build model would work in practice. We have been very generous, I might say, in providing £150 million in repayable finance. As he said, there is the potential for more if we can get the traction we need. The idea that we can recycle that money is extremely important. We want to get those shovel-ready plots out there delivering 10,000 custom-build houses.

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Mr Bacon

My hon. Friend mentioned a couple of points that I want to test him on. The community infrastructure levy was removed from self-builders, rightly, although that creates a financial incentive for local councils to be less keen on self-build because they do not get the benefit. Does he agree that it is absolutely vital to hold the feet of local councils to the fire in fulfilling the duty that has now been placed on them to measure demand for self-build and to say what they are going to do about it?

Does the Minister also think that there is scope for encouraging enlightened national house builders with large land banks—some of which are at an advanced stage and some of which are less so—to make a proportion of that development available for self-build? If they did, they would probably sell them rapidly and that would encourage them to do more.

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🕒 7.00 pm

Motion lapsed (Standing Order No. 9(3)).

Motion made, and Question proposed, That this House do now adjourn.—(Gavin Barwell.)

Kris Hopkins

On councils, my hon. Friend will forgive me if I leave contemplations about the community infrastructure levy to the planning Minister, the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Grantham and Stamford (Nick Boles). What I would say, as a former council leader myself, is that, in the majority of cases, we are building houses for people who live in those communities. Really strong leadership is about understanding demand and this particular way of responding to it. I want more councils to embrace that and we need to encourage them to do so. We need to provide leadership from this House by offering guidance through the right to build and other measures that demonstrate that there is a clear outcome for communities and the individuals who live there.

I have seen lots of evidence that the major builders are not land banking, but that does not mean that there is not huge potential, particularly for local authorities that own a vast amount of land. I encourage my hon. Friend the Member for South Norfolk to respond to the call for evidence from Elphicke and House, which I think will begin to shape the debate about this part of the housing offer, which will be facilitated by the local authorities that own that land.

I have touched on the Budget. We want to look at how we can extend the Help to Buy equity loan scheme. High-level conversations are being held about how we can facilitate that and we will make further announcements in the future. It is important to make sure that we provide support to the sector through Help to Buy and, in particular, to understand the demands of the sector. Money will be released in stages for a custom-built house, while it is usually released in one transaction for a conventional build.

I wholeheartedly agree with my hon. Friend that custom and self-build should be—and I hope will be through our efforts—a mainstream housing option in this country. Given the Government's measures and the support of my hon. Friend in challenging the myths about custom and self-build, I believe we are firmly on the path of realising that ambition. I again thank him for securing this debate and look forward to working with him and other hon. Members to help support this important sector and enable more people to realise their ambition to build their own home.

Question put and agreed to.

Ⓛ 7.03 pm

House adjourned.

Division 264

7 May 2014

That this draft Licensing Act 2003 (Mandatory Conditions) Order 2014, which was laid before this House on 9 April, be approved.

The House divided:

Ayes: 313

Noes: 205

Question accordingly agreed to.

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