

TITLE OF REPORT - Hackney Council's Self-Build Challenge Key Decision No - NH Q 85	
CABINET MEETING DATE (2019/20) 20 July, 2020	CLASSIFICATION: Open
WARD(S) AFFECTED All wards	
CABINET MEMBER Deputy Mayor Rebecca Rennison Deputy Mayor and Cabinet member for Finance, housing needs and supply	
KEY DECISION Yes	
REASON Affects two or more wards	
GROUP DIRECTOR Ajman Ali, Acting Group Director, Neighbourhoods and Housing	

1. CABINET MEMBER'S INTRODUCTION

- 1.1 Hackney is building thousands of genuinely affordable homes for residents who desperately need them, acting as its own developer on its own land in partnership with local people. . Alongside this we are pursuing wider solutions to the housing crisis, including the Mayor’s Housing Challenge Fund and the launch of Hackney Living Rent.

We also seek to encourage innovation in housing design. With award winning schemes and a focus on sustainability.

We made a manifesto commitment in 2018 to “encourage housing innovation, including cooperative and self-build ideas where this can support the delivery of a blend of housing products that meet Hackney residents’ needs.”

- 1.2 The Self-Build Challenge described in this report meets this manifesto commitment and brings together the need to explore all housing options while encouraging innovation. It takes forward a pilot enabling us to test Hackney residents’ appetite for self-build schemes and makes use of land that is currently boarded up and abandoned.

- 1.3 I am proud to be part of a Council finding innovative and successful solutions to the housing challenges we face. This report details a Self-Build pilot to test one such new approach and to allow residents to develop their own skills and affordable housing on small, unused sites in Hackney.

2. GROUP DIRECTOR’S INTRODUCTION

- 2.1. In response to the housing crisis the Council is leading the way in the direct delivery of genuinely affordable new homes in the borough. Our cross-subsidy model will see us directly deliver 2,000 new homes in the borough up to 2022. More than half of these will be genuinely affordable social rent or intermediate homes.
- 2.2. Despite this, more needs to be done to meet the outstanding housing needs of Hackney residents. The Council is, therefore, exploring innovative methods to secure the delivery of additional affordable housing.
- 2.3. This report sets out how, by pro-actively encouraging self-builders, Hackney Council can help provide housing that is affordable for households locally, can support innovative and environmentally friendly design, can keep households with a local connection in the area, and can support the local economy.

3. RECOMMENDATION(S)

Cabinet is recommended to:

- 3.1 Approve the disposal of these two small sites through a ‘Self-Build Challenge’ bidding process that will be administered by the Council.**
- 3.2. Delegate authority to the Group Director of Finance and Resources and the Group Director of Neighbourhoods and Housing to agree the terms of the transfers of the sites noted in appendix [1]**
- 3.3 Authorise the Director of Legal and Governance to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in this report and to enter into any other ancillary legal documentation required**

4. REASONS FOR DECISION

The reasons for providing this report and the recommendations set out within it are:

- 4.1 To deliver on the administration's manifesto commitment to “encourage housing innovation, including cooperative and self-build ideas where this can support the delivery of a blend of housing products that meet Hackney residents’ needs.”
- 4.2 To support households who are in housing need who would otherwise be unable to live long term in the borough .¹
- 4.3. To support innovation in housing construction and design and encourage environmentally-friendly development.
- 4.4. To offer an opportunity for local residents to build their own home, supporting housing delivery in the borough.
- 4.5. To bring appropriate undeveloped residential sites into use as an intermediate housing option for a local resident/household.
- 4.6. To use the statutory Self-Build Register as well as Self-Build communications to attract interested applicants and bring redundant sites suitable for housing back into productive use.
- 4.7. To use two small sites to pilot a Self-Build Challenge, which will engage self-build or community-led housing initiatives to support affordable housing delivery in the borough and meet local housing need.
- 4.8 The disposal of Housing Land (HRA) is pursuant to S32 of the Housing Act 1985 and the secretary of state general consent order titled The General Housing Consents 2013 Section 32 of the Housing Act 1985.

¹ “housing need” in this context refers to someone (or a household) who does not currently have a secure tenure and who ordinarily would not be able to accommodate themselves or their family long term in the borough. It is distinct to the housing need reflected within the borough’s Housing Register.

5. BACKGROUND

5.1 As of March 2020, in line with The Self-Build and Custom Housebuilding Act 2015, the Council currently has over 190 individuals and 8 groups registered on its self-build register. In order to increase housing supply, contribute to the local economy, and contribute to the skills of local residents, it is proposed that the Council hosts its first Self-Build Challenge to allow interested residents who are in housing need to build their own home.

6. DEFINING SELF-BUILD

- 6.1 Self-build is the practice of creating an individual home for oneself or one's family through a variety of different methods. The self-builder's input into this process varies from doing the actual building work to contracting out the work to an architect or building package company.

7. POLICY CONTEXT

- 7.1 House building in the UK is at its lowest peacetime rate since the 1920s. The lack of supply has hit areas of high demand like Hackney in particular. We now have over 13,000 households on the waiting list for social housing and 3,000 households living in temporary accommodation. To address the acute housing need we have developed our own Estate Regeneration and Housing Supply Programmes to deliver over 3,000 new homes over the next ten years. The extreme housing crisis however has also brought renewed interest in alternative forms of housing such as self-build. In Hackney this has meant committing to exploring innovative approaches. This was reinforced in Hackney's Housing Strategy and Policy Action Plan Performance Report which states that the Council will "encourage self-build development proposals on Council-owned sites in the borough."
- 7.2 The Self-Build and Custom Housebuilding Act 2015, which was strengthened by the Housing and Planning Act 2016, introduced Self and Custom Build Registers, which required local authorities to keep a register of individuals. The Self-Build and Custom Housebuilding Act 2015 does not distinguish between self-build and custom housebuilding and provides a legal definition of self-build and associations of individuals who wish to acquire serviced plots of land for self-build and custom-build projects. This legislation places a duty on Councils to supply sufficient serviced plots to meet the demand shown on their registers within three years from the date of registration.
- 7.3 The draft London Plan encourages development on small sites and recognises that small sites (below 0.25 hectares) can make a substantially greater contribution to new housing supply across the city.

- 7.4 Hackney's draft Local Plan 2033 states that self-contained housing is the priority for residential land use in the borough and is the type of land use for which there is the greatest need. The Council will support the development of smaller sites including infill housing development and innovative approaches to housing delivery.
- 7.5 LP16 Self/Custom Build Housing, within Hackney's draft Local Plan states that proposals for self/custom build housing projects to meet demand will be supported provided they are compliant with all other plan policies.

8. ADMINISTERING THE CHALLENGE

- 8.1 **Steering Group-** This cross-Council group includes members of Property Services, Legal, and Regeneration. This group will lead on key decisions and will evaluate the bids to select finalists for the Challenge.
- 8.2 **Project Management-** This project will be managed on an on-going and regular basis by an officer in Housing Strategy and Policy. Progress will be monitored through regular steering group meetings, a risk register, monitored KPIs, and a GANTT chart. Once applicants are shortlisted regular meetings will be organised until completion of the self-build property.
- 8.3 **Communication to residents-**To launch the Challenge the Council will develop a communications plan setting out how to engage a wide range of residents with the Challenge, including TMOs and TRAs near the sites, those on the Self-Build Register, & residents in housing need.
- 8.4 **Event Days-** Many of the barriers to this challenge are due to information asymmetry, where residents lack information about the process of self-building a home and are thus at a disadvantage as compared to developers or housing professionals. To empower residents from all backgrounds and enable them to be successful in this Challenge the Council will provide an information pack that covers the main aspects of the Challenge, including illustrative costs, and will also host event days (either physical, circumstances permitting, or virtual). These events will introduce bidders to relevant Council staff and professionals that might be able to work with bidders or answer questions about funding, development, planning or next steps.
- 8.5 **Scoring-** In appendix (see item 1), of this report, there is a draft scoring sheet and a list of criteria with weighting. Bidders will be invited to submit an expression of interest followed by an official request for bids. Bidders will be given several weeks to complete these applications.
- 8.6 **Planning-** For the two initial sites that have been identified, planning briefs have been developed by the planning team. We intend for the successful bidder to use these briefs to submit a planning application. We are intending for them to pay for their application but will provide guidance to make the process as smooth as possible. See further details in the appendix.

- 8.7 **Financing the Project-** The Council will need to be satisfied that the successful self-builder can viably deliver the project. After extensive research and consultation with mortgage advisors we have structured this challenge so that the successful applicant will not have to pay for the land up-front and will be able to borrow against the value of the land once they receive planning permission. The financial ability of the bidder to fund the project will be considered through the assessment process and will be one of the most important factors in deciding who will be awarded the plots.

9. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED

- 9.1. Do nothing - it was decided that this was unappealing because the Council is committed to promoting and facilitating housing delivery in the borough in order to help address the housing crisis. Promoting alternative approaches to housing delivery on small under-utilised sites supports the delivery of housing in the borough.
- 9.2. The sites proposed have been identified by Property Services for disposal. Property Services estimated their value each to be below £100,000 without planning permission. It has been decided that if the sites were instead used through the proposed Self-Build Challenge they would most likely result in a greater receipt or a higher value asset for the Council. Furthermore, disposal would eliminate the Council's ability to meet housing need, whereas the Challenge could enable an intermediate affordable housing product to meet the needs of a local household.
- 9.3. The sites were reviewed by Council officers through the Asset Review Process. This process concluded that these sites were appropriate for self-build use but were undesirable to the Council for our Housing Supply Programme due to their small size and their locations. Both of the sites identified are not part of estates that are part of the Housing Supply Programme or Estate Regeneration Programme. Due to this, there wouldn't be any economies of scale for direct Council led development.
- 9.4. The sites have been considered for community led housing and to fulfill the administration's commitment to Community Land Trusts. The sites were determined to be too small to fit more than two units maximum and thus unlikely to be of interest to these community-led housing groups. However, groups registered on the Self-Build Register will be notified of the opportunities and welcomed to bid.
- 9.6. The Council often receives approaches from registered providers (RPs) who are seeking land to build affordable homes. One option that was considered was to sell or transfer the sites to RPs. In the case of these sites it was decided that it was unlikely that RPs, through a joint venture with the Council, would be

able to provide any additionality above the Council's direct delivery approach and thus the offer would be unappealing.

- 9.7. Officers have considered using the [GLA's Small Site Programme](#) as a method of promotion and funding. It has been decided that the Council will pursue delivery outside of the GLA scheme, but will use the GLA Small Sites Portal to promote the sites. The Council will keep potential future engagement under review.

10. EQUALITY IMPACT ASSESSMENT

- 10.1 In considering Hackney Council's duty in relation to Section 149 of the Equalities Act the impact of this project has been considered in relation to various groups that could be negatively or disproportionately affected. Because the challenge will be open to everyone in the borough some risk of exclusion has been mitigated.
- 10.2 However, it is recognised that groups that are hard to reach, those with language barriers, residents who are digitally excluded and those with certain disabilities might experience additional challenges while participating in this challenge. This is due to potential difficulty in either accessing information or attending events and site visits.
- 10.3 To mitigate these barriers special consideration will be given to how the communication plan can be implemented to reduce barriers where practical.

11. SUSTAINABILITY

- 11.1 The current draft criteria for the Self-Build Challenge lists sustainability as a key component of an application. All bidders will be expected to demonstrate how their build project will be energy-efficient, sustainable and environmentally friendly.
- 11.2 The project's sustainability will be measured through the materials used, the energy efficiency of the design, and the plans for reducing the development's carbon footprint through local sourcing.

12. CONSULTATIONS

- 12.1 This proposal has been developed through consultations with various teams within the Council including legal, property services, design, comms, and finance. It should also be noted that many residents have come forward and enquired about unoccupied sites and if they could be used for housing supply.
- 12.2 The Self-Build Challenge will be promoted and made public through executing a communications plan and organising information events. Questions, concerns, and comments will be collected and answered at these events and in subsequent follow up with bidders.

12.3 It is expected that that bidding process will be iterative and thus will allow for bidders to raise questions and gather feedback throughout the selection process.

13. RISK ASSESSMENT

13.1 Risks:

- That there will not be sufficient interest from residents in housing need.
- That the promotion method for the Self-Build Challenge will not reach those who would most benefit.
- That the restrictions, covenants, and criteria will not be sufficiently rigorous to prevent the awarded applicant from using the scheme for profit instead of to meet their housing need.
- That the scheme will be challenged under 'Best Consideration'.
- That the self-builder(s) will not be able to complete the project within the allowed timeframe.
- That residents will oppose the development of self-build properties.
- That the mortgage taken out against the land will result in Hackney Council having to repay a mortgage on the site/complete the site in the event that the applicant pulls out mid-way through development.

13.2 Risk Mitigation:

- To ensure that this Challenge is properly and effectively communicated widely to those who are in housing need we will develop a comms plan and organise open event days/sessions. Additionally Benefits and Housing Needs will be involved in advertising the opportunity to increase reach and all the individuals and groups on the self-build register will be alerted.
- To ensure that none of the shortlisted applicants are already homeowners (and therefore not in housing need) the project team will use Experian checks.
- To prevent the self-builder from: reselling the property in less than 5 years Legal Services will include restrictive covenants in legal documentation. (Similar to Right-to-Buy restrictions)
- To ensure any future resale is only to specified buyers (local connections, household income restrictions) Legal Services will include restrictive covenants in legal documentation. (Similar to Shared Ownership)
- To ensure the Council maintains no less than 40% equity in the land and property. Legal Services will include restrictive covenants in legal documentation.(Similar to Shared Ownership)
- To ensure that the Challenge will not be challenged under best consideration Property Services and Legal will work with the project team to select the best disposal strategy or lease arrangement.
- The time frame for completion will be clearly stated in the communication with bidders as well as stipulated in the agreement between the Council and the bidder. Timelines will also be reiterated in one to one meetings with shortlisted bidders.

- To help engage residents in the immediate vicinity of the sites, the comms strategy will begin communicating to residents in the immediate area the aims, objectives, and mechanisms for the Challenge.
- The selection process is designed to be as thorough and extensive as possible to ensure that sites are awarded only to someone/a household who is/are serious about self-build and capable of completing this project. The process will also require an initial investment from the bidder which should reduce the chance of sites being awarded to applicants not committed to seeing the scheme through.

14. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

- 14.1 Any ambition for a household to build their own property has to understand the complexities, risks and costs involved. This will need to be assessed as part of the bidding and vetting assessment.
- 14.2 As identified, one of the biggest challenges is how the applicant finances the development alongside paying for their own accommodation. Typically, self-build works for people that own their own home and can borrow against it, however this scheme is targeted at residents in need of affordable housing.
- 14.3 To reduce financial barriers, the scheme proposes to allow successful applicants to borrow against a proportion of the land value. This creates some financial risk to the Council, however this is no greater than if we were developing it ourselves.
- 14.6 It will be challenging to deliver a self-build scheme targeted at affordable housing but support has been put in place to improve the affordability and help deliver this as an intermediate housing product.

15. FINANCIAL IMPLICATIONS

- 15.1 Beyond the requisite officer time, delivering a Self-Build Challenge will incur costs related to:
- site searches and surveys
 - an event day for prospective bidders
 - fees for legal services
 - planning department fees related to planning statements
 - the foregone cost of land
- 15.2 At this stage, there is an allocated budget against the Self-Build Commitment of £26,000. This budget doesn't include staff overheads but is available for land searches, legal fees, and incurred costs necessary to prepare the site for the Challenge and or disposal. This budget is not expected to be exceeded.
- 15.3 The Challenge will see the Self-Builder and the Council entering into a shared equity scheme, where the value will be assessed upon practical completion of

the self-build. The advantages of this arrangement are that the self-builder will not have to pay for the land upfront, which will open the challenge to a wider pool of candidates.

15.4 The proposed agreement would require the self-builder to obtain a loan from a lender to build on the land. The Lender may require the Council to be party to this loan as the Council will have legal ownership of the land. Therefore, in the event the self-builder defaults on the loan the Council will be liable for non-payment of the loan. Resulting in land which was originally unencumbered to land being encumbered and a debt owing to the lender. It has been decided that this risk is acceptable given the benefits it offers in terms of opening up the scheme to a wider range of potential participants.

15.5 Upon practical completion, the Council will have the land and property valued with the Council owning an equity share equal to 40% and the self-builder will have a 60% equity share. The self-builder will not need to pay rent on the 40% they do not own, but will need the Council's permission to sell the property as the Council will be tenants in common. The Council can place restrictions on the purchaser similar to those placed on shared-ownership purchasers.

16. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE SERVICES

16.1 Under the Hackney Mayoral Scheme of Delegation of January 2017, the disposal of HRA land is reserved to the Mayor and Cabinet and additionally Financial Procedure Rule 20.4 confirms that the disposal of land shall be agreed by Cabinet.

16.2 Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. However, the General Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the "undervalue" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less. Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. Furthermore, the General Consent Order 2003 specifies that it is the responsibility of the Council to satisfy itself that the land is held under powers which permit it to be disposed of under the terms of the 1972 Act. The 2003 Consent does not apply to the disposal of land held under powers derived from the Housing Act 1985.

16.3 Section 32 of the Housing Act ("the Act") empowers the Council to dispose of land for the purposes of Part II of the Act. Although the disposal can be any manner the Council determines the Consent of the Secretary of State is required to any disposal of Part II land (HRA). The Secretary of State has issued a General Consent Order (The General Housing Consents 2013 Section 32 of the Housing Act 1985).

The general Consent Order 2013 title Disposal of Land at A3.2 permits a Local Authority to dispose of vacant land.

17. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

17.1 The proposal is for the disposal of an equity share in property at the level of a valuation undertaken at the time of that disposal. It is the opinion of Strategic Property Services that such disposals will meet the best consideration requirements of s.123 of the Local Government Act 1972.

Appendix

- 1) [Draft-Self-Build Challenge Bid Assessment Sheet](#)
- 2) [Balcorne Street Planning Brief](#)- 1st proposed site
- 3) [Ashenden Street Planning Brief](#)- 2nd proposed site

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required. The following papers were used to prepare this paper:

- Community Led Housing Briefing Note

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