



CABINET - 13TH FEBRUARY 2019

SUBJECT: WALES STALLED SITES FUND, THE SELF-BUILD FUND AND PLOT SHOP

REPORT BY: CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To advise Cabinet of the Welsh Government Stalled Sites Fund, which provides loans to unlock stalled sites that are suitable for housing development;
- 1.2 To advise Cabinet of Welsh Government's Self-Build Fund and Plot Shop, which seeks to encourage self-build housing development;
- 1.3 To advise Cabinet that once appropriate sites have been identified a further report will be submitted to seek approval to progress the sites and obtain outline planning permission for them;
- 1.4 To seek Cabinet's approval for the principle of capital receipts from the sale of plots to be paid back into a ring-fenced budget that can be used to bring further sites forward, with the exception of HRA land.

2. SUMMARY

- 2.1 Insufficient housing is being built in Wales (and in Britain generally) and the need for new housing is now more acute than it has ever been. Reflecting this, the Welsh Government has committed to developing 20,000 new affordable homes by the end of the current term of Government. In addition to this an increase in the numbers of market houses is also required to address the housing shortfall. Whilst the volume house builders can assist in increasing housing numbers, it will also require an increase in Small and Medium Sized Builders (SME Builders) housing developments. Welsh Government is seeking an increase in house building through 2 separate schemes.
- 2.2 Firstly Welsh Government has introduced the Stalled Sites Fund, which provides loans to SME Builders. This could potentially help unlock around 400 stalled sites, and provide up to 7,600 new dwellings. The Development Bank of Wales will offer SME Builders loans of up to £4 million over a period up to 4 years with the loan repaid at the end of the period. The loans are aimed at providing finance to address the issues that SME Builders have in obtaining appropriate finance for such sites.
- 2.3 Secondly Welsh Government recently announced that they were introducing a Self-Build Fund, which provides loans to facilitate local people building their own home. This would be supported by a database of housing sites suitable for self build development called the Plot Shop. The Self-Build fund will be administered by the Development Bank of Wales who will provide loans that will cover the majority of land and build costs for the proposed self build dwelling with the loan being repaid once the self builder has mortgaged the completed dwelling at the end of the loan period.

- 2.4 Initially the Plot Shop is for local authority owned sites. To include sites on the Plot Shop, local authorities will need to identify sites suitable for self-build housing and make them ready for development. Welsh Government has announced that part of the self build fund is being made available to local authorities, on an interest free basis, to fund bringing forward the sites.
- 2.5 The report advises cabinet of the Stalled Sites Fund and the Self Build Fund and is seeking the agreement of Cabinet to the principle of progressing sites for the Plot Shop initiative. The report is also seeking Cabinet approval for the principle of capital receipts raised in respect of the sale of plots on Plot Shop sites being placed back into a ring-fenced budget to provide a rolling programme of funding to bring further sites forward and pay back any initial loan payment that the council may seek. The exception to this is Housing Revenue Account sites, where there is a requirement for the capital receipt to be paid back into the Housing Revenue Account to support the council house building programme. The financial implications of progressing HRA sites will also be considered in the subsequent report.

3. LINKS TO STRATEGY

- 3.1 The Well-being of Future Generations Act (Wales) 2015 comprises seven well being goals as follows:
- A prosperous Wales
 - A resilient Wales
 - A healthier Wales
 - A more equal Wales
 - A Wales of cohesive communities
 - A Wales of vibrant culture and thriving Welsh language
 - A globally responsible Wales
- 3.2 The Stalled Sites Fund and the Self-Build Fund/Plot Shop are aimed at increasing housing delivery to provide much-needed housing within Wales. These schemes specifically contribute towards three of the Well-being Goals, namely 'A healthier Wales', 'A more Equal Wales' and 'A Wales of Cohesive Communities' by providing housing on sites that would otherwise not realise it.
- 3.3 The contribution that the schemes will make toward increasing housing provision would also assist in delivering the strategy of the Adopted Caerphilly County Borough Local Development Plan up to 2021 (LDP). The 2018 Annual Monitoring Report in respect of the LDP found that, as in previous years, the delivery of housing is falling short of the LDP strategy target. Any increase in housing provision resulting from these schemes would be a positive step towards addressing this issue.

4. THE REPORT

Background

- 4.1 There is insufficient housing being built in Wales (and in Britain generally) and the need for new housing is more acute than it has ever been. Reflecting this, the Welsh Government has committed to developing 20,000 new affordable homes by the end of the current term. In addition to this an increase in the number of market houses is also required to address the housing shortfall.
- 4.2 Promoting additional housing development is also an objective of the Cardiff Capital Region City Deal. In February 2018, the CCR Cabinet agreed the Regional Housing Investment Fund, which recognises the need for more homes to be built in the region, and aims to support house building, ranging from: larger builders and developers on stalled housing sites on former industrial sites; through to small builders, community builders, custom builders and regeneration specialists, on small sites across the region. The Regional Housing Investment

Fund will be a flexible source of funding that will maximise the use of other aligned funding schemes which are available, such as those offered by Welsh Government and the Development Bank of Wales.

- 4.3 Market house building in Wales, and throughout Britain, is dominated by a small number of large volume house builders. Whilst these house builders can assist in delivering increased numbers of dwellings, it is not feasible for them to deliver all of the necessary dwellings, due to the numbers required. Welsh Government has acknowledged that small and medium sized builders (SME Builders) could contribute significantly towards delivering the necessary number of new homes and as a result increased development from this sector is needed. However, between 2007 and 2014 the numbers of dwellings built by SME Builders halved and has not made any significant recovery to the previous level. Since 2013, Welsh Government has been supporting SME home builders with access to affordable development finance through the Wales Property Development Fund, which has subsequently been expanded to provide a rolling funding resource for 15 years.
- 4.4 However, whilst SME Builder house-building has increased it is still not at the levels it needs to be to address the housing shortfall. Recent research identified that there were 4 barriers that prevent SME Builders from increasing their contribution to house building:
- Access to land;
 - Availability of appropriate finance;
 - The planning process; and
 - Bureaucracy and red tape.
- 4.5 In order to increase SME Builder house building activity these 4 barriers need to be addressed. To reflect this Welsh Government have identified two schemes that will assist with finance and with accessibility to land.

Stalled Sites Fund

- 4.6 Research in 2015 suggested there were potentially 7,600 homes on nearly 400 sites across Wales, where progression has been halted for a wide range of reasons, from pre-development works and economic viability, to challenges in securing affordable funding. These are known as stalled sites.
- 4.7 Most stalled sites are considered to be suitable for SME Builders to develop and could be unlocked through investment and support at an early stage, to address issues such as groundwork, infrastructure improvement or simply assisting with cash flow. As a result Welsh Government has introduced a multi-million pound loan fund to assist in unlocking these sites.
- 4.8 The Stalled Sites fund is a £40 million pound fund providing loans to SME Builders to unlock stalled sites and bring them forward for housing. The fund will provide loans of up to £4 million for a period of up to 4 years, with the loan being paid at the end of the term.
- 4.9 The Stalled Sites Fund has been set up for a period of 17 years, with the aim of recycling the fund at least 4 times to realise a total £160m of investment in bringing forward housing on stalled sites. Welsh Government has also set up The Development Bank of Wales (DBW) with the remit of supporting businesses and encouraging economic growth through the use of dedicated funds and loan. The Stalled Sites Fund will be administered through the DBW and SME Builders can apply for loans directly through them.

Self Build Fund and Plot Shop

- 4.10 In 2011, the Building Societies Association published a report that suggested that 53% of people in Britain would consider building their own home if the opportunity was there to do so. Currently self-build development (individuals, or groups of people collectively, building their own homes) amounts to between 7% and 10% of total house building. However this rate is significantly behind other countries such as USA (50%), Canada (55%), Australia and New

Zealand (40%). When compared to other European countries the comparison is even more stark with Austria having 80% of its total house building as self-build, whilst the Republic of Ireland, France, Germany, Norway, Italy, Sweden, and Belgium all have self-build sectors that deliver around 60% of their total house building.

- 4.11 There are significant benefits associated with self-build development and one of the key drivers is that self-build housing saves money, as it cuts out the developer profit associated with volume developers. The average self-build house costs only 59% of its final market value, although this figure is exaggerated because current self-build houses are bespoke designs that increase the end value of the house. Even acknowledging that volume builders will benefit from cost savings due to scale and supply chains, the self build option still provides cost savings over volume built housing.
- 4.12 Recent research identified that the four factors that deter SME Builder house-building also deter self-build developments. In order to stimulate self-build housing development Welsh Government announced, on 12 January 2019, that it is introducing a £40 million fund to assist in the delivery of self build housing. £30 million of the fund will be used to assist self builders in developing their homes and will be called the Self Build Fund, whilst the other £10 million will be available to local authorities to assist in bringing self build sites forward for development which will be included on the Plot Shop.

Self-Build Fund

- 4.13 Research by the Joseph Roundtree Foundation found that the demographic of those self-building their homes has changed:
- It is more prevalent in less urban areas or where speculative housebuilding market is relatively small.
 - Whilst there has been growth in self-build, it has been driven by:
 - relatively well-off households seeking more individual homes;
 - financing becoming more straightforward for secured funding; and
 - more publicity for the concept of building dream homes by self-build.
 - This has resulted in a shift to those who want an individual property or a particular location.
 - The average age and income of self builders has also raised significantly with more people self building their 'dream home'.
- 4.14 Given this Welsh Government are looking to stimulate self-build housing more generally and have introduced the Self Build Fund to assist potential self builders with accessible finance. The fund will be administered through the Development Bank of Wales (DBW).
- 4.15 The fund will provide a development loan that will cover the majority of land acquisition and build costs. The self-build applicant will need to secure a plot of land by providing a deposit of 25% of the cost of the land. The self-build loan will cover both the remainder of the land value and the total build costs. The loan will be for a period of up to 2 years, with the loan being repaid from the mortgage that the self-build applicant takes out on the completed dwelling. As a result the dwelling will need to be built strictly in accordance with building regulations to ensure that the house is insurable and can be mortgaged. Welsh Government is also in the process of designing a range of house types suitable for self builders in a pattern book. Self builders will be able to choose a suitable house type from the pattern book and customise it within the scope of the limits of the self-build loan.
- 4.16 Self-build loans will be subject to similar criteria used for finance through the Help to Buy Wales scheme, namely:
- It must be the self-builders only, or main, residence; and
 - The dwelling cannot be rented or sold for a period of 5 years.

- 4.17 The scheme would not support the current typical self-builder due to the restriction placed on it by the sites available on plot shop and the house types in the pattern book.
- 4.18 The self build fund seeks to address the issues of accessibility to finance, planning and general red tape by providing finance and by having the pattern book of house types that have already been designed. To complement the Self Build Fund, Welsh Government is also introducing the plot shop, which addresses the issue of accessibility to land.

Plot Shop

- 4.19 Welsh Government is introducing a national database of sites suitable for self-build housing development. This database of sites is called the Plot Shop. Welsh Government is looking for local authorities to identify sites in their ownership that are suitable for self-build housing development. Sites will need to be relatively small, although large sites may be suitable if they are brought forward in small phases.
- 4.20 In order for sites to be suitable for the Plot Shop they will need to be ready for self-build development to take place. The minimum for this would be for each site to have outline planning consent, but in some cases it may require sites to be fully serviced for development. This will require local authorities to invest in these sites to bring sites forward in a suitable form for Plot Shop.
- 4.21 To assist local authorities in bringing sites forward for Plot Shop, Welsh Government has included £10 million as part of the Self Build Fund finance to make loans available for local authorities to cover the costs of bringing forward the sites. The loans are interest and repayment free until the end of the self build period (15 years). At the end of the period the Council will only need to repay the amount loaned back to the BDW, which the Council can recoup from the sales of the plots.
- 4.22 Local authorities will be responsible for establishing their own processes for identifying and approving sites to be included in the Plot Shop. In addition to this the sites in the Plot Shop will remain in local authority ownership and each local authority would be responsible for establishing procedures for the sale of their sites, including the assessment of purchasers to ensure they meet Plot Shop requirements and for selecting a purchaser where more than one purchaser applies for the same site.

Pilot Scheme

- 4.23 Rhondda Cynon Taf County Borough Council (RCT), in conjunction with Welsh Government, is looking to commence a pilot scheme for the Plot Shop and Self-Build Fund in the very near future. RCT has identified a total of 7 sites, with a combined total of 20 plots, for the Pilot. RCT have selected sites that are located adjacent to existing highways that have services located in highways adjacent to the plots, reducing the necessary servicing costs.
- 4.24 As part of the process of identifying the sites and setting up the Pilot, RCT appointed consultants to draw up a small pattern book of dwelling types that would be suitable to develop on the Plot Shop sites. RCT is seeking outline consent for the sites prior to including them on the Plot Shop.
- 4.25 Once the sites have outline consent, it would be a simple task to get full permission for one of the plots, as the dwelling types have already been designed to be acceptable on the plots.
- 4.26 As a result the servicing of the sites, together with the pattern book of acceptable dwelling types, means that the Self-Build Fund and Plot shop should address all 4 of the barriers for self-build development.

Moving Forward

- 4.27 The Stalled Sites Fund will be operated by the DBW, and will be directly accessed by SME Builders looking to develop sites. As such the only involvement the Council will have is through the normal planning application process.
- 4.28 Similarly the Self-Build Fund will also be operated by the DBW and as such there would be little local authority involvement in that process, other than through the release of land through the Plot Shop.
- 4.29 In order to be involved with the Plot Shop, the Council will need to identify appropriate sites and invest in those sites to provide plots that are ready for development. There are, in effect, three parts to this process:
1. Identifying appropriate sites;
 2. Ensuring the sites are suitable for residential development (through obtaining outline planning permission for each site); and
 3. Investing further in the sites by fully servicing them (if required)
- 4.30 Caerphilly county borough council has also expressed the wish to bring forward sites for the Plot Shop with Welsh Government. In order to do this the Council will need to identify suitable sites and then progress them so that they are ready for development. Given the scale of the pilot in RCT, it would be appropriate to identify sites that would deliver a limited number of self build plots, approximately 20, in various locations within the county borough to test the appetite for self build housing in the county borough.
- 4.31 The first part of the work has commenced and sites are currently being considered and assessed for suitability for being included on Plot Shop. This work has focussed on identifying relevant council land and identifying any constraints to development that may restrict or preclude development on them. Once the assessment work on the sites has been completed and the most appropriate sites have been identified, a further report will be presented to Cabinet to seek agreement for the sites to be progressed for Plot Shop.
- 4.32 Consideration will then need to be given to whether the sites will require full servicing and additional investment to make them 'oven-ready' for self-build development. If the sites require further investment then the Cabinet Report will consider this also.
- 4.33 The identification of sites and obtaining outline planning permission will necessitate committing officer time and will require joint working between the Planning, Property and land holding service areas. In addition to this the Council will need to invest in the sites in order to make them 'oven ready' for development and suitable for Plot Shop. Unfortunately the cost of obtaining such consent varies with each individual application and, as a result, it is not possible to specifically identify the overall cost of this process at this time. However, part of the assessment of the sites is to identify future costs in bringing the sites forward for development and this can also be outlined in the subsequent Cabinet Report.
- 4.34 The Cabinet Report will identify the cost of bringing the sites forward for Plot Shop and may also seek Cabinet approval to request a loan through DBW to cover the that cost (including the finance expended to that point). The report will also address any additional financial implications and outline any risks that may arise from any loan.
- 4.35 If a loan is sought, the costs of bringing the sites forward can subsequently be reclaimed from the sale of plots to self-builders, although there is likely to be a time lag between incurring the costs and reclaiming them from plot sales. In order to ensure that the loan can be repaid at the end of the scheme, the agreement of Cabinet is being sought to agree the principle that all capital receipts from the sale of Plot Shop sites be paid back into a ring-fenced budget. This also affords the opportunity of recycling any original loan to bring further sites forward for Plot Shop, establishing a rolling programme for the sites.

- 4.36 There is one exception to the principle of paying the capital receipts back into the ring-fenced budget and that relates to Housing Revenue Account sites. The capital receipt for HRA sites is required to be paid back into the Housing Revenue Account to support the council house building programme and, as such, cannot be returned to the ring-fenced budget. If, following the assessment process, any HRA sites are being recommended for progress onto Plot Shop, the subsequent Cabinet report will consider the financial implications associated with their progression. The report will also address the reasons why the HRA sites are being proposed for Plot Shop rather than retained for the council house building programme.
- 4.37 Once the sites have the necessary outline planning permission they will be included on the Plot Shop and the Council will dispose of the plots in accordance with its disposal process set out in Part 4 of the Council's constitution and in accordance with the eligibility requirements of the Plot Shop.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 The aim of the Well-Being of Future Generations (Wales) Act is to improve the social, economic, environmental and cultural well-being of Wales by changing the way local authorities and public bodies think, act and make decisions with the overall objective being to create a Wales where we want to live, both now and in the future. The Act also sets a duty on public bodies to ensure that everything that they do is in accordance with the sustainable development principle (the needs of the present are met without compromising the ability of future generations to meet their own needs).
- 5.2 The Stalled Sites Fund and the Self-Build Fund/Plot Shop are aimed at increasing housing delivery to provide much-needed housing within Wales. These schemes specifically contribute towards the social and economic well being of Wales. Further to this the schemes are looking to bring forward sites that would otherwise not be developed, which is providing the best use of land, in accordance with the sustainable development principle.

6. EQUALITIES IMPLICATIONS

- 6.1 There are no direct equalities implications in respect of this report.

7. FINANCIAL IMPLICATIONS

- 7.1 There are no financial implications arising from this report.
- 7.2 Whilst there are no direct implications from this report, if the Council wishes to progress sites for Plot Shop it will need to invest in the sites to bring them forward ready for development. As a result it is intended to submit a further report to Cabinet that will: identify the sites recommended for progression to Plot Shop; identify the costs of progressing them' recommend how the costs are to be accounted for and outline any additional costs or risks the recommended approach may give rise to.

8. PERSONNEL IMPLICATIONS

- 8.1 There are no direct personnel implications associated with this report.

9. CONSULTATIONS

- 9.1 All responses from consultations have been incorporated in the report.

10. RECOMMENDATIONS

It is recommended that Cabinet:

- 10.1 Note the information in the report in respect of the Stalled Sites Fund.
- 10.2 Note the information in the report in respect of the Welsh Government Self-Build Fund/Plot Shop and agrees the principle of bringing sites forward for the Plot Shop under the Self Build Fund.
- 10.3 Note that a further report will be presented to Cabinet, once the relevant sites have been identified, seeking approval to take them forward for Plot Shop and to address the financial implications associated with it.
- 10.4 Approve the principle that the capital receipts from the sale of plots on Plot Shop be paid into a ring-fenced budget to provide a rolling fund to cover the cost of bringing further sites forward and to repay any potential loan at the end of the scheme, with the exception of Housing Revenue Account sites.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 To raise awareness of the range of WG programmes aimed at assisting with housing growth and to ensure that Caerphilly plays an active part in these programmes to assist with the County Borough's own housing need.

12. STATUTORY POWER

- 12.1 The Planning and Compulsory Purchase Act 2004.
Local Government Acts.
This is a Cabinet function.

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