

Perceived Effectiveness and Transaction Costs of Self-build and Custom Housebuilding Registers in England

Grace Sadler¹ and Sina Shahab²

1. *St. Modwen Homes, Birmingham, UK*

2. *School of Geography and Planning, Cardiff University, Cardiff, UK*

1. Introduction

Self-build and custom housebuilding dwellings as a percentage of national housing completions in England have historically been very low compared to most developed countries (Ash et al., 2013). The development of the self-build sector can work towards increasing the supply of housing and alleviate some of the strain on the housing market in England (Benson and Hamiduddin, 2017). Although it is not a solution for everyone, improving this type of housebuilding can add diversity to the market, increase housing affordability, and produce sustainable homes. This has been recognised by the UK Government who have introduced legislation which aims to assist self and custom builders on the journey to building their own home. An important development in this regard was the Self-build and Custom Housebuilding Act 2015. The Act places a statutory duty on authorities to keep a register of individuals or associations who wish to complete self or custom housebuilding projects, this is now referred to as ‘self-build register’. Each authority has a duty to take the self-build register into consideration when carrying out their functions in relation to housing, planning, land disposal and regeneration (Wilson, 2017, Gingell and Shahab, 2021). This paper evaluates the ‘self-build register’ from the perspective of transaction costs and perceived effectiveness, addressing three research questions: a) What transaction costs are associated with the application process to the self-build register? b) How do parties involved with the self-build register perceive the effectiveness of the policy? and c) What are the ways to reduce transaction costs and improve the effectiveness of self-build policy in England?

2. Definition of the Key Concepts

Self-building can be broadly defined as any form of housing where the first occupants are involved its construction, this can range from organising the construction to building it themselves (Heffernan and Wilde, 2020). Benson (2014) suggests that the variation of routes that can be taken to produce a self or custom build home should all fall under the umbrella term of ‘self-build’.

Transaction costs are the costs involved in exchanges or transactions, other than production costs (Shahab et al., 2019a). In transaction-cost economics, the basic unit of analysis is the transaction, which includes any exchange between different parties, from simply exchanging goods and services for payment to more complex exchanges of information or action (Alexander, 2001). According to Shahab and Lades (2020), transaction costs can occur when an actor spends too much time and effort to receive a service or good.

Effectiveness can be defined as the degree to which a policy instrument achieves the goals or objectives it was expected to achieve (Shahab et al., 2019b). It can further be defined as how well a policy instrument works or whether it works as intended and meets the purposes for which it is designed (Sadler, 1996). One way in which effectiveness can be measured is through perceptions, which can be defined as the way in which an “individual observes, understands, interprets, and evaluates a referent object, action, experience, individual, policy, or outcome” (Bennett, 2016, p.585).

3. Methodology

The primary method of data collection for this research was semi-structured interviews. A total of 21 participants were interviewed in order to reach data saturation, whereby no further insights were being generated from data collection (Guest et al., 2006). The participants included nine public-sector planners, five private-sector planners, three property developers, two planning professionals in charitable organisations, and two academic researchers. Interviews lasted for a time ranging from 30 to 60 minutes. The interviews were carried out largely through telephone or online via Zoom between July and October 2020. Open ended questions were used to encourage them to expound on the topic and avoid short answers (Guion et al., 2001). The questions included asking the participant to break down the application process of the self-build register into stages, discussing the time-consuming features of the process, and asking how well they think the register achieves its goals. All interview responses were recorded and anonymously transcribed. The transcriptions were then analysed using thematic analysis.

4. Summary of the Main Results

The paper firstly identified what transaction costs are associated with the application process to the self-build register and what parties they are incurred by. Broadly, the categories of activities were identified as applying to the register, eligibility tests, and post application. Overall, it can be concluded that applying to the register is a fairly straightforward process for the applicant and the local authority. However, each category of activities involves some form of transaction cost for the parties involved. For instance, the main barrier facing an applicant initial application is locating the form on the council's website, as they are not clearly publicised. The analysis concluded that the largest transaction costs occur in the eligibility tests stage. As to become part of some registers, applicants are required to pass a local connection test and pay a registration fee. Passing the local connection test can require considerable time and effort from the applicant as they are required to prove beyond doubt that they have a connection to the area. Furthermore, registration fees are often extortionate compared to the service provided. Both pose significant barriers and costs to the applicant during the process. Furthermore, uncertainty regarding the post application process also presents transaction costs for the applicant and the local authority. It is unclear to applicants what to expect once registered and they often expect more assistance than the local authority is legally required to provide. This results in uncertainty which increases transaction costs for the applicant.

The research discussed how the eligibility tests and registration fee process can be modified to reduce transaction costs they produce. It concludes that the process is not equitable for applicants at a national scale, as some applicants will face high transaction costs regarding tests and fees but others, in different local authorities, will not encounter anything. Furthermore, it was determined that the process is not efficient. As there is limited support for applicants on the register, the time and monetary costs it takes to complete the eligibility test and pay large fees can be seen as transaction costs, which decrease efficiency. As a result, the research recommends the policy should be amended to ensure it is consistent across all local authorities. Additionally, the eligibility tests should be removed to reduce transaction costs, whilst simply registering the demand for self-build.

The paper also evaluated the perceived effectiveness of the self-build register, from the perspective of involved parties. The perceived effectiveness of policy instruments is measured through how well the policy is seen to be achieving the objectives it set out to achieve. Objective one aims to increase the number of self and custom-build properties through raising awareness of the sector, measuring demand, and providing more support for people who want to build their own homes. In terms of raising awareness, all interviewees concluded that the policy is effective, as the nationwide implementation has significantly increased the awareness. When measuring demand, the perceived effectiveness of the policy varies as some local authority planners think it provides a useful mechanism to measure. But others question the validity, as applicants can apply to multiple registers resulting in distorted demand data. Finally, the policy is deemed to be ineffective at

supporting people who want to build their own home, as local authorities are not legally required to provide any support, following the application.

The second objective is concerned with how the self-build register data is used within each authority in line with the 2015 Act. The analysis concluded that there are major differences between how different parties perceive the effectiveness of the register regarding this objective. Local authority planners perceived the policy to be effective at achieving this objective, as the information is being utilised within the authority. Multiple examples were given of the data influencing Draft Local Plans and Planning Inspector policies. However, interviewed developers and NaCSBA representatives contended this as they stated the local authorities they had worked with for self and custom build projects had no interest in considering the register and appeared to make projects very difficult. These negative experiences have resulted in the policy being perceived as rather ineffective by developers and NaCSBA.

To provide more support for applicants, it was suggested that the policy was modified to facilitate direct communication between developers and individuals on the register and more information was provided through self and custom build workshops. Furthermore, to ensure the demand on the register is considered by all authorities, greater government support should be given to planning authorities through a central framework. Consequently, it is recommended that the policy is revised by central government to include a robust support system for individuals on the register, which could include forming connections with developers and/or experts. It is further recommended that guidance on how to successfully incorporate self-build into local planning is developed, this could be achieved through model Supplementary Planning Guidance documents or Local Plans.

References:

- ALEXANDER, E. R. 2001. A Transaction-Cost Theory of Land Use Planning and Development Control: Towards the Institutional Analysis of Public Planning. *The Town Planning Review*, 72, 45-75.
- ASH, C., BIRBECK, D., BROWN, S., CERULLI, C. & STEVENSON, F. 2013. Motivating Collective Custom Build Report. Sheffield, UK: University of Sheffield.
- BENSON, M. 2014. Creating a nation of selfbuilders. An interim report from the project Selfbuilding: the production and consumption of new homes from the perspective of households. London: Department of Sociology, Goldsmith.
- BENSON, M. & HAMIDUDDIN, I. 2017. *Self-build Homes: Social Discourse, Experiences and Directions*, London, University College London.
- GINGELL, A. H. & SHAHAB, S. 2021. An Analysis of Self-Build and Custom Housebuilding in the South West of England. *Urban Science*, 5, 9.
- GUEST, G., BUNCE, A. & JOHNSON, L. 2006. How Many Interviews Are Enough? *Field Methods*, 18, 59-82.
- GUION, L. A., DIEHL, D. C. & MCDONALD, D. 2001. *Conducting an in-depth interview*, Florida, Institute of Food and Agricultural Sciences, University of Florida Cooperative Extension Service.
- HEFFERNAN, E. & WILDE, P. D. 2020. Group self-build housing: A bottom-up approach to environmentally and socially sustainable housing. *Journal of Cleaner Production*, 243, 118657.
- SADLER, B. 1996. International study of the effectiveness of environmental assessment. Ottawa: International Association for Impact Assessment and Canadian Environmental Assessment Agency, Ministry of Supply and Services.
- SHAHAB, S., CLINCH, J. P. & O'NEILL, E. 2019a. An Analysis of the Factors Influencing Transaction Costs in Transferable Development Rights Programmes. *Ecological Economics*, 156, 409-419.
- SHAHAB, S., CLINCH, J. P. & O'NEILL, E. 2019b. Impact-based planning evaluation: Advancing normative criteria for policy analysis. *Environment and Planning B: Urban Analytics and City Science*, 46, 534-550.
- SHAHAB, S. & LADES, L. K. 2020. Sludge and Transaction Costs. *Discussion Paper Series*. Dublin: Ucd Geary Institute For Public Policy.
- WILSON, W. 2017. Self-build and custom build housing (England). *Research Briefing*. London: House of Commons Library.