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## **Right to Build Task Force & Three Dragons Custom and Self-build Planning Guidance**

### **PG3.7: Area-wide Approaches to Viability Assessment**

**July 2023  
Version 1**

Supported by:



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National Custom & Self Build Association

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## 1. INTRODUCTION

1. This document is one part of the Right to Build Task Force Custom and Self-Build Planning Guidance. The guidance consists of an overview, together with separate planning guidance documents and appendices.
2. This guidance note was produced by Three Dragons, with support from the Task Force.
3. This guidance has been designed to complement existing legislation and regulations, together with the National Planning Policy Framework (NPPF) and in particular National Planning Policy Guidance (NPPG) in relation to custom and self-build.
4. Together the guidance sets out good practice guidance to support the delivery of custom and self-build homes in England. By “good practice” we mean information at a level of detail that is otherwise not available to support an approach that best aligns with the aims, the letter, and the spirit of the legislation.
5. It is intended for use by:
  - a. Those responsible for planning policies and decisions within local authorities and National Parks in England.
  - b. Those seeking to bring forward or support custom and self-build developments.
  - c. Planning Inspectors and those engaged in review of planning decisions and planning policies.
  - d. Landowners and land promoters
  - e. All those interested in better and more beautiful homes.
6. The guidance is published by the Right to Build Task Force and it is regularly updated to reflect emerging good practice and in response to any relevant changes in legislation, regulation or policy. The latest version of the guidance can be found at [www.righttobuild.org.uk](http://www.righttobuild.org.uk). A full list of all guidance documents and appendices is included at the end of this document.
7. All references are correct at the time of publication.
8. Feedback on this document and the associated good practice guidance notes is welcome and any comments should be sent to [Taskforce@righttobuild.org.uk](mailto:Taskforce@righttobuild.org.uk)

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## 2. ABOUT THE RIGHT TO BUILD TASK FORCE

9. The Right to Build is the generally used term for a collection of primary and secondary legislation introduced to support the growth in the number of custom and self-build homes within England. This is part of the drive to increase diversity in the supply of new homes.
10. The Right to Build Task Force (Task Force) was established by the National Custom and Self-Build Association (NaCSBA) in 2017. NaCSBA is the voice of the custom and self-build housing sector.
11. The aim of the Task Force is to support the delivery of the Right to Build through the provision of technical expertise and advice based on a model that has been used successfully in the Netherlands.
12. The Task Force provides help to local authorities, community groups and other organisations across the UK to deliver custom and self-build projects across all tenures.
13. An ethical wall separates the activities of NaCSBA and the Task Force. A Task Force Advisory Board, made up of experts and advisors from national and local government, industry and community housing, provides strategic oversight of our work.
14. The Task Force is currently funded by the Department for Levelling Up, Housing and Communities to provide support to Local Planning Authorities in England.

## 3. ABOUT THREE DRAGONS

15. Three Dragons is an independent consultancy that combines specialist skills in town planning, economics and development. It understands research and policy making across all aspects of new housing provision. This includes the viability, planning and development process for mixed and sustainable communities, delivery of affordable housing and specialist advice on retirement housing and care options and self-build and custom housing.
16. Its clients include local authorities, developers and housing associations across the UK, often acting as expert witnesses at plan examination and planning appeals.

#### 4. PURPOSE OF THE NOTE

17. Testing development viability is integral to the planning system and is undertaken both for individual schemes at application stage and for local plans and Community Infrastructure Levy Charging Schedules, as they are taken forward by planning authorities.
18. National Planning Practice Guidance (PPG) includes a section describing how viability testing should be undertaken for individual scheme applications and for plans (see <https://www.gov.uk/guidance/viability>).
19. However, PPG gives no specific viability guidance on how self-build and custom housebuilding (SBCH) should be considered either as stand-alone schemes of 100% SBCH or when a proportion of a developer-led scheme is given over to SBCH. Both development types are becoming increasingly common: the former as landowners release sites for SBCH and the latter as local authorities include policies in their plans that promote a certain percentage of new developments to SBCH or allocate specific sites.
20. This note is intended to supplement PPG and provides guidance appropriate to SBCH. Its purpose is to offer a methodology for assessing notional sites, particularly in relation to area-wide viability assessments to inform local plans or CIL charging schedules (noting that most SBCH is exempt from CIL<sup>1</sup>). Its use is as a guide and benchmark for viability appraisal, but it is not intended to replace specific plot or site assumptions where these are made available. The note has been prepared by Three Dragons in discussion with the Right to Build Task Force and in consultation with industry experts.
21. **This note is not intended to be used for modelling viability for an individual self-builder planning to build their own home.**

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<sup>1</sup> See PPG Paragraph: 016 Reference ID: 57-016-20210208 - nonetheless viability appraisers may still need to consider SBCH in a CIL appraisal, for instance where SBCH forms part of a larger development

#### 4. PRINCIPLES

22. For notional or area-wide appraisal, assessing viability of SBCH should follow the same principles as for developer-led housing schemes. This Guidance Note uses a residual value approach; residual value being the difference between the total value of a scheme less its costs, including the return (profit) assumed for the developer. The residual value is the amount available to the landowner and, for a scheme to be considered viable, it should exceed a particular threshold. PPG states that this threshold should be identified on the basis of the existing use value of a site plus a premium<sup>2</sup>.
23. There is a range of SBCH models using different build routes, including community-led and affordable housing, and each will have different implications for viability. However this note focuses on two main types:
  - I. Developer-led custom build where the developer sells plots to the consumer to complete themselves (including through a contractor) using a design and build contract;
  - II. Landowner-led or developer-led serviced plots where the landowner/ developer services the plots and sells direct to the consumer to build their own home, with or without a design and build contract.
24. The approach to testing is to model a finished product or scheme – i.e. a fully-built property, either custom-build or self-build. This approach most closely reflects the guidance in PPG and avoids making assumptions about land value as an input to the calculations. We would recommend this approach is followed for district-wide assessments.
25. The variables used in residual value calculations for SBCH are similar to those used for developer housing but with some important differences. The table below indicates the appropriate values and costs to use when assessing the viability of SBCH – where these differ from general needs development. Separate guidance is provided for self-build and for custom housebuilding – although, for some variables, they are the same.
26. Data sources are annotated.
27. See also the Task Forces' Guidance Note AN06 which gives a detailed viability overview.

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<sup>2</sup> See PPG Viability at Paragraph: 013 Reference ID: 10-013-20190509

Variable	Custom Housebuilding (CHB)	Self-build (SB)
<b>Market value<sup>3</sup></b>	5% premium on market value for equivalent developer property	5% premium on market value for equivalent developer property
<b>Build costs<sup>4</sup></b>	5% uplift on median BCIS costs (10% London)	10% uplift on median build costs in all areas
<b>External works<sup>5</sup> (services incl. utilities, roads)</b>	Equal to 7% of build costs	Equal to 7% of build costs
<b>Site infrastructure</b>	Schemes of 1 to 100 units – 8% of base build costs Schemes of 101 to 250 units – 13% of base build costs Schemes of 250 or over – 18% of base build costs	Schemes of 1 to 100 units – 8% of base build costs Schemes of 101 to 250 units – 13% of base build costs Schemes of 250 or over – 18% of base build costs
<b>Professional fees<sup>6</sup></b>	12.5% of build costs, incl external works	12.5% of costs, incl external works
<b>Marketing</b>	3% of value	3% of value (although would not be relevant for individual single plots)

<sup>3</sup> Estimate arrived at following discussion with specialist developers but in practice the premium will vary – where there is alternative local evidence this should be used. Self & Custom Build Market Report 2017, Homebuilding & Renovating suggests self-builders enjoy a 29% uplift in value, but we have taken a more cautious approach.

<sup>4</sup> % uplift from BCIS uses data set out in Homebuilding and Renovating build costs information – Summer 2018 – there is no later information. Homebuilding and Renovating provides different costs for different types of build route and for three different standards of finish. For CHB - Build Route D (Main Contractor) has been selected, using a two-storey house and ‘standard’ build cost figures for CHB and ‘good’ build costs for self-build. The figures all assume that units built are not larger than 125sqm gross internal area (GIA).

<sup>5</sup> Will vary depending on site location but for notional typology assume connection will be standard

<sup>6</sup> Currently fees tend to be higher than for other speculative market housing as SBCH is still a specialist field

Variable	Custom Housebuilding (CHB)	Self-build (SB)
<b>Garages<sup>7</sup></b>	£8,100 per single garage, where provided	Additional 5% compared to that used for CHB
<b>National policy costs</b>	Where national policy requires additional specification <sup>8</sup> , these would normally be costed at the same rate as for other (non CHB) development	As for CHB
<b>Developer return</b>	As a general rule – use 17.5% of value – which is the mid point of the range shown in the PPG (15% to 20%) <sup>9</sup> . Where part of a larger scheme, the developer return for CHB should be that assumed for the speculative part. If no alternative figure is justified – use 17.5% across the speculative and CHB development.	6% contractor return on costs for design and build
<b>Finance</b>	Current rate	Current rate
<b>S106</b>	As per local authority policy	As per local authority policy
<b>CIL</b>	Exempt <sup>10</sup>	Exempt <sup>10</sup>
<b>Stamp Duty Land Tax</b>	As standard for plot only	As standard for plot only
<b>(Benchmark) land value</b>	Existing use value (EUV) + % uplift. The % to reflect risk associated with the development. Where development is on publicly (local authority) owned land – a different land value may be appropriate. <sup>11</sup>	Existing use value (EUV) + % uplift. The % to reflect risk associated with the development. Where development is on publicly (local authority) owned land – a different land value may be appropriate. <sup>12</sup>
<b>Cashflow</b>	Plot servicing costs at start of build Cashflow relevant to size of development	Plot servicing costs at start of build Cashflow relevant to size of development

<sup>7</sup> Single garage for semi and detached homes – as with build costs generally, this includes an additional 5% (rounded) above industry standards for CHB (and will be a further 5% for SB) – note that for double garages this would rise to £13,125 for CHB (again with a further 5% for SB)

<sup>8</sup> EV charging, Bio-diversity net gain or updates to Building Regulations not yet absorbed into BCIS, for example

<sup>9</sup> See NPPG Viability at Paragraph: 018 Reference ID: 10-018-20190509

<sup>10</sup> Provided set procedures are followed see PPG Paragraph: 082 Reference ID: 25-082-20190901

<sup>11</sup> NPPG Viability states that “Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.” (Paragraph: 018 Reference ID: 10-018-20190509)

<sup>12</sup> NPPG Viability states that “Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.” (Paragraph: 018 Reference ID: 10-018-20190509)



## 7. LIST OF ALL RIGHT TO BUILD TASK FORCE PLANNING GUIDANCE DOCUMENTS

29. The guidance is made up of individual planning guidance documents. These are listed below. Not all documents are currently published. These notes will be introduced over time, with an indicative phase shown.

### Summary of Practice Guidance notes

Reference	Title	First issued
<b>Introduction and Definitions</b>		
PG1.1 (was PG0)	Planning guidance good practice overview	October 2020
PG1.2 (was PG1)	Defining custom and self-build	October 2020
<b>Plan Making and Policies</b>		
PG2.1 (was PG2)	Delivering a sufficient supply of homes	October 2020
PG2.2 (was PG3)	Provision of affordable housing, including exception sites	June 2021
PG2.3	Designs of exceptional quality	Phase 4
PG2.4	Sustainability	Phase 3
PG2.5	Supplementary Planning Documents (template)	Phase 4
PG2.6	Neighbourhood plans and the process	Phase 4
PG2.7	Maintaining open and inclusive Registers and engaging with those on the Register	Phase 2
<b>Decision Taking</b>		
PG3.1 (was PG9)	Using Register numbers to identify plots to be permitted	October 2020
PG3.2 (was PG10)	Counting relevant permitted plots	October 2020
PG3.3 (was PG11)	NPPF and Right to Build Legislation – delivering appropriate permissions	June 2021
PG3.4	Working with multi-plot sites and phased delivery	Phase 3
PG3.5 (was PG13)	Annual Monitoring Reporting	June 2021
PG3.6	Securing delivery of self- and custom build homes	Phase 3
PG3.7	Area-wide approaches to viability assessments	Phase 3
<b>Engaging</b>		
PG4.1	Working with groups of self-builders	Phase 4
PG4.2	How to address undersupply (strategic and short-term)	Phase 3
<b>Appendices</b>		
Appendix A	Legislation and regulation	October 2020
Appendix B	National Planning Policy Framework and National Planning Policy Guidance	October 2020
Appendix C	Other key policy documents	October 2020
Appendix D	Planning appeals	Phase 2