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Policy paper

Independent review into scaling up self-build and custom housebuilding: government response

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Applies to England

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Ministerial foreword

The government strongly believes that self and custom build housing can play a crucial role - as part of a wider package of measures - in securing greater diversity in the housing market, increasing overall supply and helping to deliver the homes people want. The independent review into scaling up self-build and custom housebuilding was commissioned by the Prime Minister to:

- bring forward recommendations to improve the housebuilding industry by giving customers more choice;
- to make home building mainstream, realistic and affordable; and,
- make building your own home an option for people up and down the country who have not considered it before.

The government warmly welcomes the report and extends its thanks to Richard Bacon MP and his wider review team for the detailed and comprehensive work and for their recommendations. These match the government ambitions for the self and custom build sector. The report sets out a challenge to government and the wider self and custom build industry to grasp the opportunity to grow this nascent sector to meet the levels of other nations and, above all, to deliver on the public's aspirations to have more choice, customisation and control over the homes they buy. We want to harness the drive and creativity of families and individuals, empowering them to bring forward quality homes designed for how they live their lives.

The government has considered the recommendations in the report and will be taking forward a number of them. In some cases, where we are not able to commit to recommendations today, the Government has committed to do additional work to investigate their viability for future years, as we continue to deliver on our manifesto commitment to support self and custom build housing.

The recommendations in the report range across a number of different areas from housing and planning to communications and taxation. Some are recommendations that the government is already working towards - for example the £150 million Help to Build: Equity Loan Scheme to assist individuals who want to build their own homes borrow money with lower deposits and the use of the Brownfield Land Release Fund to provide serviced plots.

The Help to Build prospectus sets out the details of the scheme and was published in November; applications will open on 27 June 2022 with the first approved individuals ready to build in 2022/23. Two rounds of the Brownfield Land Release Fund have already provided access to funding for local councils to create high quality serviced plots, with successful schemes announced in October 2021 and February 2022, stepping up self and custom build housing projects across the UK.

In response to other recommendations, we have committed to new activities, such as establishing a dedicated self-commissioned homes delivery unit within Homes England. This will ensure that we embed and maximise what the government can do to support delivery of self-commissioned homes across our programmes.

A number of the recommendations touch on existing legislation in the Self-build and Custom Housebuilding Act 2015. The recommendations intersect with the findings from the government review of the Self-build and Custom Housebuilding legislation which took place over summer 2021. As part of the Levelling Up and Regeneration Bill we intend to bring forward legislation to support the delivery of more self and custom build housing, to meet the needs of those who have registered an interest in self and custom build homes and will consider whether additional changes are needed to planning policies.

This response sets out how the government will take forward the recommendations and play its part in ramping up the self and custom build sector. The government will continue to work with the industry to reduce the barriers to self and custom build and community-led housing more widely, to ensure that we grow the sector to meet our shared ambition.

I would like to, once again, thank Richard Bacon MP for the time and effort he has put into the Review and the comprehensive and detailed report he has published. More widely I would like to extend my thanks for his continued support and tireless enthusiasm in championing the self and custom build sector.

Rt Hon Stuart Andrew MP
Minister of State for Housing

Background to the independent review into scaling up self-build and custom housebuilding

In April 2021, the Prime Minister commissioned Richard Bacon MP to undertake an independent review into scaling up self-build and custom housebuilding - across all tenures - to boost capacity and overall housing supply. This included increasing the availability of serviced plots of land across England. The Prime Minister commissioned the Review in recognition of the important role self-build and custom housebuilding can play in increasing overall supply, boosting choice for consumers, and helping to ensure that people can live in homes that they want and that are designed to meet their needs. This will help to support the Government ambition to make home building a mainstream, realistic and affordable option for people across the country.

The Prime Minister asked Richard Bacon MP to produce a report that set out (up to) ten specific and implementable recommendations to inform Government policy. The commission set out that the Report should:

- Outline the policy progress to date. Ensuring appropriate conditions for the growth of the market have been created and they fit with wider housing policy;
- Review the international self-commissioned new build markets in developed economies, seeking to understand how the experience of the successful models in these markets could translate to inward investment and increased activity within the UK, this should include updated and robust data for international comparison;
- Set out a route map on how the different parts of the existing UK housing market, construction sectors and associated services can revisit their business models to benefit from the opportunities that exist, and how Homes England can support and champion this change;
- Investigate the desire within the population to self-commission a home of their own in a sustainable way and how this can best be unlocked and realised;
- Look at the role that information and exemplars can play in spreading public knowledge;
- Investigate opportunities for more imaginative use of public land to build more homes for those serving in the NHS and other public services, the armed forces and veterans, as well as helping to deliver housing for the poor, the homeless and the marginalised, including ex-offenders.

See the full [terms of reference \(https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-terms-of-reference\)](https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-terms-of-reference)

Summary of the recommendations

The report was published on 21 August and set out six overarching recommendations to the Government:

Recommendation 1: greater role for Homes England

The government should create a new Custom and Self-Build Housing Delivery Unit within Homes England to enable the creation of serviced building plots on small and large sites and support the delivery of custom and self-build housing at scale across the country.

Recommendation 2: raise awareness of the Right to Build

The government, working through Homes England in partnership with the custom and self-build industry, should create a custom and self-build housing Show Park and should strengthen existing legislation to mandate the wider publicity of Self-build and Custom Housebuilding Registers and the sharing of key data between willing landowners and people on registers.

Recommendation 3: support community-led Housing, diversity of supply and Levelling Up

The government should reignite the successful Community Housing Fund; create accessible opportunities for communities to help themselves by introducing a Self-Help Housing Programme; and introduce a Plot to Rent Scheme.

Recommendation 4: promote greener homes and more use of advanced manufacturing

The government should recognise and support the pathfinding role of the custom and self-build housing sector in advanced manufacturing and in greener homes to accelerate the delivery of its wider Modern Methods of Construction and Net Zero Housing ambitions.

Recommendation 5: support custom and self-build housebuilding through the planning reforms

The government should ensure that the planning reforms in its White Paper Planning for the future maximise the opportunities for access to permissioned land for custom and self build across all tenures, including making focussed changes to the Right to Build legislation to ensure that it achieves its objectives.

Recommendation 6: iron out any tax creases

The government should investigate the perceived disadvantages in the tax system between the custom and self Build delivery model and other forms of housing, identifying specific actions where necessary to neutralise them.

See the [published report \(https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report\)](https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report)

Government response to the report

Recommendation 1: greater role for Homes England

The government should create a new Custom and Self-Build Housing Delivery Unit within Homes England to enable the creation of serviced building plots on small and large sites and support the delivery of custom and self-build housing (CSB) at scale across the country. To deliver this, Homes England would:

- a) Establish a CSB Housing Delivery Unit which would procure and dispose of serviced building plots on public and private land, working with SME (Small and Medium Enterprise) builders and taking account of market demand, underpinned by a clear procurement framework and delivery strategy agreed with Ministers, with an ambition to include CSB on all large sites as part of the housing mix;
- b) Direct investment into CSB enablers, development corporations and local authorities and ensure strong CSB representation on the new Dynamic Partnership System for public land procurement;
- c) Launch the new Help to Build Equity Loan by September 2021;
- d) Work with the Ministry for Housing, Communities and Local Government and One Public Estate to extend and simplify access to the Brownfield Land Release Fund for the creation of serviced building plots;
- e) Retain access to the Home Building Fund for CSB projects and ensure the Community Housing Fund remains effective and targets the right projects; and
- f) Work with the proposed 'Centre of Excellence' for Modern Methods of Construction to promote effective CSB delivery.

Government response

The government supports the proposal to establish a delivery unit within Homes England to enable the creation of serviced building plots on small and large sites and support the delivery of self and custom build homes at scale across the country. We believe such a unit will enable Homes England to bring forward interventions that focus more keenly on solutions to resolve the barriers to the growth of the sector. Given the interlinkages with community-led housing, the new unit will look more broadly to all forms of self-commissioned homes encompassing self-build, custom build and community-led housing.

The new Self-Commissioned Homes Delivery Unit will utilise the agency's skills and knowledge to accelerate and maximise self-commissioned homes within existing and new programmes. It will also coordinate Homes England's work to help stimulate

demand and support supply for self-commissioned housing. Moreover, the Unit will further explore some of the wider proposals recommended in the Bacon Review including:

- Integration of self-commissioned home delivery within the Delivery Partner Dynamic Purchasing System^{[[footnote 1](#)]} and exploring the viability of funding self-commissioned home enablers.
- Explore the viability of government support for industry led 'Show Parks' for self-commissioned homes.
- Explore the viability of a Plot to Rent Scheme, where a serviced plot is provided at low cost as an alternative to grant.
- Explore what more Homes England can do, working with local authorities and registered providers, to support and increase the number of affordable self-commissioned schemes within the AHP and through its wider programmes.

The Self-Commissioned Homes Delivery Unit within Homes England will also work closely with those teams in the agency that lead on the promotion and delivery of modern methods of construction (MMC). MMC can be a good choice for self-commissioned homes, providing high quality, customisable components, enabling consumers to build to high energy performance specifications and, vitally to someone self or custom building, accelerate the completion of their finished home. The delivery unit will seek to capitalise on the links between MMC and self-commissioned homes to support the effective use of MMC in self-build projects. The Delivery Unit could also work closely with the MMC Task Force, which was announced at Budget 2021 to accelerate the use of MMC in housebuilding.

Help to Build

In April 2021 the government confirmed £150 million of funding for the Help to Build scheme, which fulfils a 2019 manifesto pledge to enable more people to build their own home. Help to Build will provide access to lower deposit mortgages and improve the affordability of home ownership for people building or commissioning their own home. Having a self or custom build home is often perceived as the preserve of older and more affluent people, but by improving affordability through Help to Build we aim to widen access and open the door to younger people and families to build their own homes. Bringing these types of homes into the mainstream rather than just high-end 'Grand Designs' projects will, we hope, increase quality, choice and control for a greater number of people.

The [prospectus for Help to Build \(https://www.gov.uk/government/publications/help-to-build-making-building-your-own-home-more-affordable/help-to-build-equity-loan-prospectus-accessible-version\)](https://www.gov.uk/government/publications/help-to-build-making-building-your-own-home-more-affordable/help-to-build-equity-loan-prospectus-accessible-version) was published in November and sets out further details of the

scheme, including eligibility criteria, to enable individuals who are interested in building their own home get their plans ready. The Help to Build scheme will be fully open to applications from 27 June 2022. Further details, and instructions to register your interest, can be found on the [Own Your Home website](https://www.ownyourhome.gov.uk/scheme/help-to-build/) (<https://www.ownyourhome.gov.uk/scheme/help-to-build/>).

Brownfield Land Release Fund

The government recognises that a key challenge for self and custom builders is the supply of serviced plots. The [Self-build and Custom Housebuilding Act 2015](https://www.legislation.gov.uk/ukpga/2015/17/contents/enacted/data.htm) (<https://www.legislation.gov.uk/ukpga/2015/17/contents/enacted/data.htm>) (as amended), known as the 'Right to Build' legislation, places a duty on local authorities to support the provision of serviced plots, but we know that there are often competing priorities for the use of land and a lack of funding to bring plots forward. The £75 million Brownfield Land Release Fund (BLRF) launched in April 2021 and has provided support to councils to bring forward serviced self and custom build plots on their own land. £25 million was made available for local authorities to submit projects that would deliver serviced plots for self and custom build homes.

The BLRF programme is delivered through One Public Estate (a joint DLUHC, Cabinet Office and Local Government Association programme) and two bidding rounds for the self and custom build portion of the funding were run in 2021. In response to the emerging Independent Review recommendations, the criteria for the second round of applications was simplified and widened to bring forward bids from more community-led schemes and applications from the seven Mayoral Combined Authorities, who had been excluded from the first bidding round due to their eligibility for the Brownfield Housing Fund. 60 applications for £12 million of funding were received for self and custom build across the two application rounds. In total, 54 bids for approximately £8.7 million, delivering 466 homes across 13 local authorities were funded by the BLRF. The successful schemes were announced in two tranches in [October 2021](https://www.gov.uk/government/news/thousands-of-new-homes-to-be-built-and-derelict-land-transformed) (<https://www.gov.uk/government/news/thousands-of-new-homes-to-be-built-and-derelict-land-transformed>) and [February 2022](https://www.gov.uk/government/news/derelict-sites-transformed-into-new-homes-to-level-up-the-country) (<https://www.gov.uk/government/news/derelict-sites-transformed-into-new-homes-to-level-up-the-country>).

Through engagement with local authorities in administering this scheme it is clear that while there was interest in bringing forward projects to deliver serviced plots, many local authorities were not ready to apply for funding or deliver schemes in the timescales set out in the BLRF criteria. We will work with One Public Estate, Homes England and local authorities to establish how self and custom build (including community-led housing where appropriate) can be incorporated into any future funding rounds. This will include how we can support local authorities, through One Public Estate, the Right to Build Task Force and the Homes England Self Commissioned Homes Delivery Unit, to better understand the pipeline of schemes that might come forward. Delivering serviced plots to meet demand will require effort

from all sides. We want local authorities to be more active in their support of self-commissioned housing including identifying and - where possible - bringing forward serviced plots in line with the desires of local residents and to meet their duties under the Self-build and Custom Housebuilding legislation.

Levelling Up Home Building Fund and Community Housing Fund

The Home Building Fund (HBF) launched in October 2016. More than £2 billion of this development funding has been made available to small and medium sized (SME) builders, custom builders and innovators. To build on the success of the HBF, in February 2022 the Government launched the £1.5 billion Levelling Up Home Building Fund to provide further support. The additional funding will help ensure that we are able to support SMEs who are keen to contribute to driving up housing supply to address the current housing shortage. The government agrees that custom build developers should continue to have access to loan funding through the Levelling Up Home Building Fund to deliver serviced plots on sites of five units or more and this option has been retained within scheme. Support for community-led housing (CLH) was made available through the Community Housing Fund (CHF) in 2021/22 - further information is included in section 3.

Recommendation 2: raise awareness of the Right to Build

The government, working through Homes England in partnership with the custom and self-build industry, should create a custom and self-build housing Show Park and should strengthen existing legislation to mandate the wider publicity of Self-build and Custom Housebuilding Registers and the sharing of key data between willing landowners and people on registers. To deliver this, the government would:

- a) With the support of Homes England and in partnership with the CSB industry, establish a Destination Show Park and Hub with Show Homes (preferably on public land or with a willing landowner) which can showcase manufacturing and assembly capabilities and has meeting space facilities, designed to sell the Show Homes as part of a new neighbourhood over time and with the ambition to develop further Destination Show Parks as the CSB sector grows;
- b) As part of Recommendation 5(g), mandate that 'relevant authorities' widely promote their statutory Self-build and Custom Housebuilding Registers and that they share demand data and information on suitable development permissions between willing people on the register and land-owners and project promoters;
- c) Launch a consumer marketing campaign and associated website providing public information on:

- Custom and Self Build Opportunities with links to all partners bringing forward serviced plots for custom and self-build on public sector land, including opportunities for people to join community-led housing schemes and affordable CSB schemes via Community-led Housing Hubs
- Help to Build Loan Fund with links to partners offering the Help to Build Equity Loan and information on the scheme
- Right to Build Registers to explain how Self- build and Custom Housebuilding registers work for individuals and associations of individuals, with links to all local authority Registers and published performance data for each local authority
- Show Homes with information on where the public can visit CSB show homes and how to book a visit

Government response

As noted in the Independent Report, compared to other countries, England does not have a strong culture of building or commissioning our own homes. Subsequently, awareness and understanding of self-commissioned housing and the different models available can create a barrier to development of the sector. The Government agrees that in order to maximise the potential take-up of self and custom build homes and to meet the ambition for the growth of the sector, it is important that individuals are aware that building your own home is a viable option available when buying a new home and also the different routes that this can encompass.

In the UK, self and custom build companies have showcased the different options for self and custom build homes on their own sites, for example the Potton Show Centre in St Neots and the show homes on site at Graven Hill. The member-run National Self-Build and Renovation Centre in Swindon also provides a permanent venue for independent homebuilding advice and support, showcasing building methods, innovations and technologies, offering workshops and educational courses. While the role that industry-led show parks play in the more established self-commissioned homes market in Germany is recognised, the government does not believe the case for a show park, funded by government, is clear at present. A fully funded show park on Homes England land would require considerable resources and we do not believe this represents the best use of government funding at this time. As such, we do not intend to take forward the proposal at this stage, but rather focus our investment where we believe it will have the greatest impact on removing the barriers to growing the number of self and custom build homes delivered, for example providing mortgage finance through Help to Build and funding for local authority plots through the BLRF. We will, however, explore how government can support industry to showcase the different types and models of self and custom build homes through the work of the new Self Commissioned Homes Delivery Unit within Homes England.

The government will be taking forward promotional activity to support the delivery of the Help to Build scheme, utilising the government's existing 'Own Your Home' website and working with Homes England and industry partners to promote and raise awareness of self and custom build homes. More widely, the government will review the most suitable and effective options for providing more public information on self-commissioned homes initiatives, including working with key industry partners to see how the government can support and amplify existing promotional work around self and custom build.

Recommendations relating to the Self-build and Custom Housebuilding legislation are considered in section 5.

Recommendation 3: support community-led housing, diversity of supply and Levelling Up

The government should reignite the successful Community Housing Fund; create accessible opportunities for communities to help themselves by introducing a Self-Help Housing Programme; and introduce a Plot to Rent Scheme. To deliver this, the Government would:

- a) Offer targeted funding to support the growth of community-led housing hubs and consolidate support and responsibility for community-led housing into the proposed new Homes England Custom and Self-Build Housing Delivery Unit, with a boosted funding model;
- b) Make Community-led housing an integrated part of the Affordable Homes Programme (AHP) with predictable long-term finance and an ambition to allocate 10% of annual AHP funding to empower low income and often marginalised people to become part of the solution to their own problems, which could include:
 - Funding local specialist registered providers with a focus on CSB to buy suitable sites and act as project enablers; and reinforcing the strength and success already demonstrated by the Community-led housing Hubs;
 - Creating a Small Sites Programme as a new umbrella for the plethora of small and often overlooked sites owned by housing associations, encouraging the use of Local Development Orders extending over clusters of small sites to eliminate planning risk, while ensuring that a wide range of participants have access to the sites, including community groups, co-operatives, co-housing groups and individuals.
 - Enabling people to build their own homes using 'sweat equity', under supervision, while creating and fostering local opportunities for employment, training and enterprise;

- Offering repayable loan finance to suitable charitable organisations – such as Housing People, Building Communities; Leeds Community Housing; Wigan Armed Forces HQ; and many similar groups across England; and
- c) Introduce a Plot to Rent Scheme with a Rent-Now-Buy-Later option, modelled on international experience.

Government response

The community-led approach to housebuilding involves community-based groups taking responsibility for instigating and driving forward local housebuilding schemes. It delivers housing that is affordable to, and appropriate for, the local community and remains under the control (in terms of allocations, sales and management) of the local community through an appropriately constituted community-based ownership vehicle - such as a community land trust or housing co-operatives. The government recognises that the community-led approach to housebuilding helps support local communities and local economies by providing housing that is affordable at local incomes. It encourages civic engagement in designing and delivering the homes and engenders a strong sense of civic pride in the quality of built environment that it delivers.

The [Community Housing Fund \(CHF\)](https://www.gov.uk/government/collections/community-housing-fund)

(<https://www.gov.uk/government/collections/community-housing-fund>) was first announced in 2016 and made available £240 million in grant support for community-based organisations to instigate and drive forward housebuilding schemes to meet local need. The CHF aimed to increase the supply of community-led homes and was successful in building a strong pipeline of projects: When the Homes England programme closed in March 2020 it held applications expected to deliver over 10,000 new homes, with over 4,000 in approved applications – many of which were eligible to access capital grant from the Affordable Homes Programme to progress to completion. In addition, in September 2021, the Greater London Authority (GLA) – which is responsible for delivery in London – reported a pipeline of projects anticipating the delivery of over 1,000 homes. Support through the CHF has also been crucial in developing a network of professional technical advisors to support community-based groups with technical expertise in bringing housebuilding projects forward and in delivering a lasting legacy for the sector. In August 2021, we re-launched the CHF, providing a further [£4 million](#) (<https://www.gov.uk/government/news/new-4-million-fund-launched-to-increase-community-led-affordable-housing>) in revenue grant to help the most developed schemes progress towards start-on-site. Demand for that funding exceeded £7 million and the full available amount has now been allocated with the expectation that it will support the delivery of 1,200 homes against an original target of 700.

The CHF has been successful in helping to realise the latent potential of the community-led sector and we will look to build on this through the new Homes England delivery unit for self-commissioned homes. As noted in section 1, given the interlinkages with self and custom build, the new Homes England delivery unit will look more broadly to all forms of self-commissioned homes including community-led housing.

The [Affordable Homes Programme \(https://www.gov.uk/government/collections/affordable-homes-programme-2021-to-2026\)](https://www.gov.uk/government/collections/affordable-homes-programme-2021-to-2026) provides grant funding to support the capital costs of developing affordable housing for rent or sale. Homes England have been allocated £7.4 billion of the £11.5 billion Affordable Homes Programme 2021-2026 to deliver up to 130,000 affordable homes outside London. £4 billion has been made available to the GLA to deliver affordable homes inside London. Affordable housing, as defined by the National Planning Policy Framework (NPPF), is housing for sale or rent for those whose needs are not met by the market. The provision of affordable housing is a key element of the Government's plan to end the housing crisis, tackle homelessness and provide aspiring homeowners with a step onto the housing ladder.

The government is clear, and the NPPF notes, that self and custom build housing can be delivered as affordable housing and, where proposed developments meet the wider criteria, self-commissioned schemes can access AHP funding. The type of self-commissioned schemes that have been funded through AHP to date include ex-military personnel schemes which utilise sweat equity for discounted rent or shared ownership and are retained as affordable in perpetuity. Additionally, community-led housing schemes can access capital grant from the AHP.

The government would like to see more affordable self-commissioned homes come forward. While we do not think it is appropriate to set a target for the amount of funding allocated through the AHP to affordable self-commissioned homes, Homes England is committed to working closely with a diverse range of partners – new and existing – to maximise the impact of this funding. Through the new Self Commissioned Homes Delivery Unit, we will explore what more Homes England can do, working with local authorities and registered providers, to support and increase the number of affordable self-commissioned schemes both within the AHP but also through its wider programmes.

The government notes the recommendation to introduce a Plot to Rent Scheme, where a serviced plot is provided at low cost as an alternative to grant. The Self Commissioned Housing Delivery Unit will look further at the viability and costs of such a scheme and how this might be taken forward.

Recommendation 4: Promote Greener homes and more use of advanced manufacturing

The government should recognise and support the path finding role of the custom and self-build housing sector in advanced manufacturing and in greener homes to accelerate the delivery of its wider Modern Methods of Construction and Net Zero Housing ambitions. To deliver this, the government would:

- a) Ensure that CSB is embedded into the work of the new Modern Methods of Construction Task Force and its actions and that this work in turn supports the growth of the missing market for customisable housing;
- b) Ensure that the momentum towards achieving Net Zero house building is sustained by working with the custom and self-build sector to address the current constraints with regard to increasing the safe use of timber in low rise housing, learning from significant progress already made in Scotland;
- c) Recognising strong investor interest in Environmental and Social Governance (ESG), encourage innovation and realignment towards use of greener building materials, while raising awareness among lenders, valuers, and insurers of the environmental benefits of CSB compared with existing housing stock;
- d) Encourage greener mortgage product design and changes to mortgage affordability calculations to reflect the expected energy costs of a new home rather than the average energy costs for an existing home, and in doing so support greater initial investment in greener homes; and
- e) Sponsor and support research and engagement with organisations such as the Manufacturing Technology Centre and others, to apply more effectively the engineering insights and learnings already available from the aerospace and automotive sectors to the way in which houses are constructed.

Government response

Building back greener and supporting the route to Net Zero and climate resilience is a priority of this Government. The UK Government has set the world's most ambitious climate change target into law to reduce emissions by 78% by 2035 compared to 1990 levels. The government published the UK's first ever Industrial Decarbonisation Strategy in March 2021. The Strategy sets out our ambitions to help the construction sector improve their reporting on embodied carbon in buildings. Self-commissioned homes can be part of this solution, and we know that self-commissioned homes are likely to have enhanced focus on quality, energy efficiency and sustainability as the person building or commissioning the homes will live in it and will reap the benefits in future years.

As part of our support of the wider diversification agenda, the government supports the growth of modern methods of construction (MMC). As set out in section one, the government recognises that MMC can be a good choice for self-commissioned homes, providing high quality, customisable components, enabling consumers to build to high energy performance specifications and, vitally to someone self or custom

building, accelerate the completion of their finished home. In order to achieve the benefits of an MMC sector working at scale, we are stimulating demand through our funding and land programmes for housing and working to address strategic barriers to the sector's growth.

The government agrees with the recommendation that, once constituted, the MMC Task Force, announced at Spring Budget 2021 to support the growth in use of MMC in the housing sector, could include consideration of self-commissioned homes. Creating greater links between the two sectors can be symbiotic: currently, c.50% of self-commissioned homes already utilise some form of MMC but there is potential for this to be increased. As noted in section one, the Self Commissioned Homes Delivery Unit will also work closely with those teams in the agency that lead on the promotion and delivery of MMC, as well as the MMC Task Force. Government have also committed to drive an increase in the use of certain modern methods of construction, some forms of which can encourage use of sustainable materials such as timber.

The [England Trees Action Plan \(ETAP\)](#)

(<https://www.gov.uk/government/publications/england-trees-action-plan-2021-to-2024>) and Net Zero Strategy outline the immediate actions this government is taking to increase the use of timber in construction, where it is safe to do so and with a focus on low-rise buildings. A new cross-government and industry working group, the Timber in Construction working group, was launched by government in November 2021, tasked with identifying key actions to be taken by government, the construction sector, the timber sector and academia to safely increase timber use and reduce embodied carbon. The working group will include members with expertise from construction in Scotland, to learn from significant progress made there, and engage with the self and custom build sector to understand and address the current constraints to increasing the safe use of timber in low rise housing. The group will develop and implement actions set out in the ETAP and Net Zero Strategy, and will consider further actions, in both the public sector and in the private sector, to enable further use of structural timber in line with Climate Change Commission recommendations.

The UK was one of the first nations in the world to enshrine climate adaptation into law within the Climate Change Act. This framework provides a robust basis for the UK government to keep track of the diverse set of climate risks our country faces. Risks to health and wellbeing from high temperatures are a key consideration for government. As an example, the Department of Levelling Up, Housing and Communities (DLUHC) has introduced a new requirement on overheating into the Building Regulations to ensure new residential buildings are built for a warmer climate. The new requirement prioritises addressing overheating through passive measures including reducing solar gains and sufficient removal of heat.

There is substantial work underway to encourage innovation and realignment towards use of greener building materials. We are exploring the potential of a maximum embodied carbon level for new buildings in the future while encouraging the sector to

reuse materials and make full use of existing buildings. This will be part of longer-term work to consider the future of energy efficient buildings beyond the Future Homes Standard and the Future Buildings Standard, which will enable us to examine wider and more fundamental questions around how we can ensure that all new buildings are designed and constructed to be fit for a zero-carbon future. We will publish further details of our plan to address embodied carbon and other challenges around the future of low-carbon buildings in due course. The government will continue to work with lenders and other finance providers to support the delivery of higher quality new build homes and will continue to raise standards, for example through the Future Homes Standard, driving innovation in the sector. We will continue to work with lenders and finance providers in our efforts to raise standards and move towards greener building materials and will look to do this across all housing types.

In July 2019, the government's [Green Finance Strategy](https://www.gov.uk/government/publications/green-finance-strategy) (<https://www.gov.uk/government/publications/green-finance-strategy>) outlined its intent to grow the green finance market and encourage green mortgage products. As part of this, BEIS consulted on setting requirements for lenders to help mortgagors improve the energy performance of their properties, such as disclosure of energy performance data across mortgage lenders' portfolios and a target-based approach to improvement. The consultation closed in February 2021 and a response will be published in due course. The measures set out in this response are likely to incentivise lenders to develop green mortgage products.

Alongside this, the government is delivering a range of initiatives to support green finance more widely. The Green Home Finance Innovation Fund, which provided funding for the initial development and piloting of a limited number of green home finance products, awarded £1.8 million grant funding to three organisations in June 2021. The Government is now exploring the case for a further programme, focused on supporting lenders to develop green finance products targeted at consumer types who will be impacted by future regulation, and which the market is unlikely to develop on its own in the short term. BEIS has invited the UK Infrastructure Bank (UKIB) to help steer this work, and we will work further with the UKIB to explore whether they can play a wider role in scaling up green home finance.

Lenders are responsible for developing their own mortgage affordability calculations. Whilst in principle there is no barrier in regulation to using the expected energy costs of a new home in such calculation, lenders would need to satisfy themselves, and potentially the Financial Conduct Authority (FCA), that they had a robust basis for the projected costs. This may present a practical challenge for lenders given the absence of methodologies to model prospective costs and the degree of variation in property design, energy efficient design elements and usage that could be present. The government will undertake further work to explore potential benefits and risks to this approach, including through engagement with lenders and the FCA, to inform a more detailed assessment of the options and what is achievable.

As part of our work to drive up the use of MMC and other innovative approaches to housing, Government has sponsored and engaged with a number of organisations, including the Manufacturing Technology Centre (MTC). BEIS has invested £170 million (match funded by £250 million from industry) in the Transforming Construction Challenge (TCC). [TCC \(https://tc-catalogue.strongerstories.org/stories/\)](https://tc-catalogue.strongerstories.org/stories/) is accelerating the shift in construction towards MMC, a platform approach and digital processes and has funded a number of housing-related programmes which seek to promote effective, innovative housing delivery. For example, the Intelligent Design for Manufacture and Assembly (IDEMA) Panel House is an easy to assemble, desirable, net zero panel home. It consists of a blend of standardised components and customised needs, so it is a more attractive proposition to self-builders as it gives them autonomy to select the design and requirements that best match their needs to their budget.

TCC has been running for three years now and is due to end in 2022. We are now working to embed TCC innovations in the industry, and into government clients as part of government's £650 billion infrastructure spend over the next decade. A number of TCC programmes are also applying the engineering insights and learnings available from the aerospace and automotive sectors to the way in which houses are constructed. We will continue to look at how our different housing programmes can best drive scale in the MMC sector and consider how we can further support custom and self-builders to use more MMC.

Recommendation 5: Support Custom and Self-build housebuilding through the Planning Reforms

The government should ensure that the planning reforms in its White Paper Planning for the Future maximise the opportunities for access to permissioned land for CSB across all tenures, including making focussed changes to the Right to Build legislation to ensure that it achieves its objectives. To deliver this, the government would ensure that the forthcoming planning reforms:

- a) Extend the opportunities for the specific designation of land for CSB housing in the proposed area-based planning system, using Design Codes for CSB housing across all appropriate designations;
- b) Set a target for local planning authorities to provide for serviced plots unless market demand (not Register demand) can be shown to be regularly met and there are deliverable allocations in new style local plans to meet this demand;
- d) Give substantial weight to CSB as a material consideration in the revised National Planning Policy Framework;

- c) Facilitate local authorities to take a more interventionist approach to bring forward land for CSB and SME home builders by running pilot programmes to support councils in land assembly to create serviced building plots for new housing as part of the new-style local plan land allocations process;
- e) Ensure assembled sites come forward quickly and are deliverable and plan-led, by enabling new-style local plans to be partially amended through the designation of a Land Assembly Partnership Zone or Area; embed the learning from the pilot programmes and roll the process out nationally by: (a) setting out in guidance/policy or a suitable statutory instrument the assembly process which should be followed, similar to guidance on the compulsory purchase process; and (b) provide ongoing favourable loan funding to service and assemble the sites, which is repaid when plots are sold;
- d) Allow minor changes to new style local plans following a streamlined process, if a development on the edge of a settlement/urban area provides for small scale CSB plots, and for councils to set locally-specific policies for this;
- f) Make minor changes to the Self-build and Custom Housebuilding Act 2015, where possible through secondary legislation, to clarify the definition of custom and self-build housebuilding; what counts towards giving suitable development permissions and how the 'duty to provide' is measured; remove the use of fees and eligibility criteria; introduce a clear sanction if the demand on the registers is not met; and link under-delivery to the Presumption in Favour of Sustainable Development (or its replacement under the planning reforms); ensure there is an obligatory annual monitoring requirement placed on authorities; and, clarify how planning obligations can be used to secure CSB development in planning terms, including how plots should be marketed before they are able to be built out for market housing;
- g) Introduce a targeted exception and windfall site policy which enables custom and self-build housing on unplanned housing sites in rural areas and on sites adjacent to existing settlements; and
- h) Introduce a commitment that government will publish annual monitoring data of demand on Self-build and Custom Housebuilding registers and delivery against meeting this demand, for each relevant authority.

Government response

The government recognises that the planning system has a critical role to play in ensuring there is sufficient land to meet demand for self and custom build properties. In 2015, the Government introduced the Self-Build and Custom Housebuilding legislation (sometimes known as the 'Right to Build'), which creates a duty on local authorities to keep a register of demand for self and custom build in their area, and permission suitable serviced plots to meet that demand within three years. All local authorities in England have a register in place and, in the last reporting period, local

authorities reported that there were a total of 59,572 entries on registers across England and that they had permissioned 44,244 serviced plots suitable for self and custom build. While, some local authorities are pro-active in their response to the legislation, others are not and have not permissioned sufficient plots to meet their statutory duties. Lack of suitable land is a key barrier to allowing individuals and families to build their own homes and we need local authorities to play their part in both planning for and permissioning suitable land to ensure self-commissioned homes can become a mainstream housing option for people moving home.

The government is supporting local authorities in their delivery through the National Association of Custom and Self Build's (NaCSBA) 'Right to Build Task Force'. The Task Force (initially funded by the Nationwide Foundation) was established to help local authorities, community groups and other organisations deliver self and custom build housing projects across the UK. Recognising the need to provide expertise and support to local authorities on the implementation of the Right to Build and how to secure self and custom build delivery, the government has provided £320,000 of funding since 2020. We can confirm that, following the recent Spending Review, the government will provide a further £600,000 for the Task Force to continue its work in supporting local authorities from 2022/23 to 2024/25.

We recognise, however, that there are a range of factors within the wider planning system which affect provision of self and custom build. The Planning for the Future White Paper, published in August 2020, proposed significant changes to the focus and processes of planning and included proposals to help grow the self and custom build sector, including allowing local authorities to identify areas for self and custom build and community-led housing in their local plan to ensure sufficient provision to meet requirements identified in their self-build register, and proposals to explore how publicly-owned land disposal can support SMEs and the self-build sector. The consultation on the White Paper received over 44,000 responses, showing just how important this is to people.

Proposals for planning reform are now being taken forward in the context of the government's approach to Levelling Up, with the Levelling Up and Regeneration Bill introduced to Parliament on 11 May this year. We intend to bring forward legislation through this bill to clarify what counts as a "suitable permission" in the Self-build and Custom Housebuilding Act to support the delivery of more self and custom build housing, to meet the needs of those who have registered an interest in self and custom build homes. This will help ensure that local authorities make sufficient provision for self and custom build sites in their areas. Alongside this, and in light of the recommendations in this section, we will consider whether additional changes are needed to national planning policies, including the expectations they place on local plans.

Over summer 2021, the government undertook a review of the Self-build and Custom Housebuilding legislation. This review ran concurrently to the independent review into scaling up self-build and custom housebuilding. In response to the concerns of local

authorities and the wider sector around the effectiveness of the legislation in supporting self and custom build nationally, an Expert Advisory Group (EAG), made up of local authorities, the Local Government Association, SME developers and stakeholders was commissioned to provide challenge and make recommendations.

The EAG looked at a range of issues including but not limited to: the definition of 'serviced plots' and how the duty to provide is measured; how compliance is reported; exception site policy; the application of local connection tests; the application of fees and charges; and, publication/awareness of registers. The EAG's overall conclusion was that a comprehensive revision of the legislation was not required, but that some adjustments could be beneficial and that further work to improve the operations and compliance with the legislation could be provided through other interventions such as information and guidance. We would like to thank the EAG for their valuable work on the review, and we will continue to work with them to establish the right interventions to support the wider operation of the legislation. There is substantial overlap between this work and the recommendations from the Independent Review and we are considering both sets of recommendations together in the context of planning reforms.

Since 2016, the government has collected information from local authorities in England on their statutory duties under the Self-build and Custom Housebuilding Act 2015. In line with recommendation (5)(h), in October 2020, the Government committed to publish the data annually. The government has published all the data it holds up to the year 2020/21 and data collection exercise for 2021/22 will begin in November 2022. We will continue to work with local authorities and industry to ensure the information collected is accurate and informative.

Recommendation 6: Iron out any tax creases

The government should investigate the perceived disadvantages in the tax system between the CSB delivery model and other forms of housing, identifying specific actions where necessary to neutralise them. To deliver this, the government would:

- a) Engage the Treasury and HM Revenue & Customs to work with the CSB sector to identify any potential imbalances in the tax system which may disincentivise serviced plots for custom and self-build housing;
- b) Consider the actions needed to address any issues identified, with due regard to any fiscal impact and wider implications of any changes;
- c) Give guidance to Councils to clarify how they can treat the creation and sale of building plots for VAT purposes;
- d) Recognise that there are unintended challenges in applying the current Community Infrastructure Levy 'self-build' exemption to CSB apartments, terraces and semi-detached homes and work with the CSB sector to identify ways in which such forms

of CSB can benefit from the exemption, as part of the government's review of developer contributions.

Government response

The government appreciates the matters outlined in the Independent Report, and the recommendations enclosed. The government keeps all tax reliefs under review, in order to ensure they strike the right balance between keeping taxes simple to administer, well-targeted and effective.

The Community Infrastructure Levy (CIL) is a charge which can be levied by local authorities on new development in their area. An exemption is available to anybody who is building their own home or has commissioned a home from a contractor, house builder or sub-contractor as long as they will own the property and occupy it as their principal residence for a minimum of 3 years after the work is completed. The government notes the challenges of applying the exemption to newer forms of self-commissioned housing and will work with the industry to consider the operation of the exemption in these circumstances as part of our wider work to reform planning, including through the Infrastructure Levy.

The government has proposed significant changes to the planning system to make it simpler, quicker and more accessible for local people to engage with, and more certain for developers. The Levelling Up and Regeneration Bill sets out powers for the government to create a new Infrastructure Levy. The Levy will replace section 106 planning obligations and the Community Infrastructure Levy. Much of the detail of different elements of the new Levy will need to be set in regulations, and the government intends to consult on this detailed design.

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1. [Government procurement system \(https://www.gov.uk/guidance/apply-to-join-the-delivery-partner-dynamic-purchasing-system\)](https://www.gov.uk/guidance/apply-to-join-the-delivery-partner-dynamic-purchasing-system) to bid to develop homes on land from Homes England and other public sector bodies.

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