

House extension 2023

Greener and kinder living

How putting customers in charge can change everything



Photo: SBUK

TWO YEARS ON - AN UPDATE TO THE INDEPENDENT REVIEW TO DEVELOP A PLAN FOR A MAJOR SCALING-UP OF SELF-COMMISSIONED NEW HOMES – ACROSS ALL TENURES – TO BOOST CAPACITY AND OVERALL SUPPLY





Introduction

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Two years ago, at the request of the then Prime Minister, I presented my plan for a major scaling up of self-commissioned new homes – across all tenures – to boost capacity and overall housing supply.

Called *House*, my report set out how putting customers in charge could change everything, emphasising that “Customer” should mean anyone who needs somewhere to live. This includes everyone from ordinary people on regular incomes who want to own their own home – who are now watching a normal aspiration recede into a distant and impossible dream – to those who currently can’t even dream of home ownership at all because they are simply desperate for a decent home of any kind, including the poor, the homeless, the marginalised and ex-offenders. Custom and self-build has already demonstrated its ability to help all these people. My Review set out six clear practical and deliverable proposals to deliver more and better homes for all.

Two years is not a long time in housebuilding but it is a long time in politics, and so – two Prime Ministers and five housing ministers later – this seems an opportune time to revisit the housing market, my plan and the progress that has been made. I am pleased to report that the support within Government is as strong as I have known. Progress is being made. However, as ever, achieving cut through against the backdrop of wider global challenges takes commitment and focus.

In the two years since I reported, housing has risen still further up the agenda, while discontent and anger with the high cost, low quality and lack of access to our new homes market continues to grow in the minds of the public and across all political parties. The upcoming Competition and Markets Authority review presents an oppor-

tunity to strengthen the hand of customers. In effective markets, supply rises to meet demand, while demand drives volume and customers matter. In this sense, the current new homes “market” is scarcely a market at all. It would be better to describe it as a system – and an imperfect one at that. Yet all too often the proposed solutions continue to miss the mark. As I said in my Review:

“When we have fully opened up the housing market and the planning process to the power of consumer choice, we will see more great places being developed which are warmly welcomed by their communities, with beautiful and more spacious houses, at keener prices – and that are better designed, better built, greener and which cost less to run, which enrich the lives of the people who live there – while driving innovation and inward investment. And when afterwards we have done this, we will look back and wonder why it took us so long.”

At the heart of the challenge remains the failure to put the customer at the heart of the new build process. We have created a “market” where housebuilders compete for land rather than on the quality of the homes that they build; perpetuated in part by an overstretched and under-resourced planning system. The consequences are stark. Quite simply, new housing is feared. In no other time in our history would housing be thought of as pollution. To change this, we need to create the conditions in which customers are treated as if they matter the most, rather than – for the most part – scarcely mattering at all.

The solutions are there, as set out in my Report. We do not need to find them, only to deliver them.

Richard Bacon, MP

My Recommendations

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 also 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 CSB across all tenures, including making focused 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 CSB delivery model and other forms of housing, identifying specific actions where necessary to neutralise them.

Government Response

On 24 June 2023, nearly one year after the publication of my review which was “warmly welcomed”, the Government belatedly published its response to my Review. Despite the elapsed time the response was short on both detail and ambition.

In particular it failed to set out specific actions and an implementation timetable in relation to the majority of the recommendations which

Ministers could use to drive actions from officials. This has meant that, up until now, the impact of my review has been less than I had hoped to see at this point in time, however my recommendations remain valid, and my route map remains realistic, affordable and achievable.

Both the progress that has been made and areas where change is yet to happen are considered in more detail in the following section.

Read the Bacon Review

<https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report>

Read the Government's response

<https://www.gov.uk/government/publications/government-response-to-the-independent-review-into-scaling-up-self-build-and-custom-housebuilding>



Progress Update

Photo: LIVEDIN

DETAILED RECOMMENDATIONS

Recommendation 1: Greater role for Homes England

I am pleased to see the first shoots of progress that have been made in this area. The newly updated 5-year strategic plan recognises that our new homes market “delivers a relatively narrow range of housing types and not enough of them”.

The plan goes on to state that, “we will support growth in custom and self-build housing with our equity loan funding that helps consumers access low deposit mortgages. We are also establishing a self-commissioned homes unit, delivering on a recommendation in Richard Bacon MP’s independent review into scaling up custom and self-build housebuilding”.

However, this single reference is at risk of getting lost and many of the specific recommendations that I made, in plentiful time to be incorporated into the plan, are still to appear as specific commitments. This includes the lack of clear priorities for the unit, the lack of reference to supporting enablers and to delivery through land supply. A small team is now in place.

I need to see self and custom build more vocally and actively championed within the most senior levels of Homes England. In my report I describe “where top down meets bottom up”. The passion and commitment within the team can only be turned into delivery when it is supported by the drive and the prioritisation that can only come from the top. I look forward to working with the industry and new unit to drive forward a range of market-building priorities and hence ensure that

Homes England leads in developing the custom and self-build market in line with Government objectives.

The Help to Build scheme has been launched but it took longer than planned. Since its launch it has become apparent that it would benefit from a limited number of refinements (as happened with Help to Buy). This is unfortunate but not unexpected given the steps required to create such schemes, and I am hopeful that a revised and improved scheme will be relaunched shortly.

The scheme is important in increasing access to mortgage finance, which has been a key constraint for those with smaller deposits. As importantly,

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however, it gives assurance to landowners, local authorities, and those developing and delivering homes to bring forward the permissioned land and the products that the public is seeking.

It also has a vital role in raising awareness among the public, and in publicly demonstrating Government support and confidence in the sector. Help to Buy provided 10 years of support to speculative developers, Help to Build needs to remain until it is no longer required.

The Self and Custom Build fund has helped to raise awareness of the potential for the sector.

Such schemes take time to enable a pipeline of activity to be created. Despite the sterling work of the Right to Build Taskforce and some councils, too many local authorities are yet to fully engage with the benefits to them and their communities of enabling more of this approach to housing delivery. Local authority resources too often are too stretched to invest in a new approach to housing delivery.

The Home Building Fund remains open for custom and self-build projects, but challenges remain in recognising and understanding the value model for the sector and the nature and needs of those requiring access to the fund. The Brownfield Land Fund has also opened up new opportunities for the sector, but the scheme needs more time, and a more flexible approach that works with the grain of the sector, to succeed. For comments on the Community Housing fund see below.

Recommendation 2: Raise Awareness of the Right to Build

A key challenge for establishing the CSB market to the extent that it exists in almost all other European countries is the lack of awareness and understanding from the public that this is even an option. Germany alone has a network of over 30 show parks (and a single website promoting over 2,400 different house models).

The response so far from Government has been lukewarm to such a proposal despite the opportunity it presents to showcase modern construction methods and to support greater market capacity and inward investment in manufacturing and assembly. I continue to encourage my friends in Government and Homes England to visit one of these astonishing “house shops” in Germany so they can see for themselves the benefits of such a proposal.

We saw some positive yet limited promotion around the Help to Build launch. The public remain almost completely unaware of the Right to Build or even the potential option to self-commission a home (except through the lens of *Grand Designs*). Surveys continually highlight the ambition to self-build, most notable amongst the young. Planning policy requires consideration of demand to self-commission, yet this is often overlooked or limited by the lack of consumer awareness.

Local authorities continue to fail to promote their Right to Build Registers, which can be difficult to find and access. Most lack any clear explanation as

to the duty placed on authorities under the legislation and some have even been found to omit any mention of the obligation placed on authorities.

Recommendation 3: Support Community-led Housing, Diversity of Supply and Levelling up

A key barrier for community-led developers is their lack of risk capital. Lenders of development finance and Homes England’s Affordable Homes Programme lie out of reach for those without working capital to acquire a site, obtain a planning consent and, if applicable, become a Registered Provider of social housing.

Shortly after the publication of my report the Government released £4m to reignite the Community Housing Fund, in a limited form. This very welcome injection of money supported 52 community groups to take forward projects planning to provide 1,191 new homes, of which 90% will be affordable. A year after the funding was awarded, 40 had submitted planning applications, eight had submitted capital grant applications to Homes England, 18 had begun the process of becoming a Registered Provider of social housing, and five had started on site. It shows the quick progress communities can make.

Unfortunately, it only met 6% of the funding need identified by the community-led housing sector, and further funding was not forthcoming in the last or current financial years. There has been no progress on integrating the fund into the Affordable Homes Programme. Many of the enabler hubs established or expanded with the Community Housing Fund have now folded, for lack of project funding, including in city regions where local authorities are making available significant numbers of small sites.

There has also been no further progress on making land available on small sites, either through a Plot to Rent scheme or a new umbrella Small Sites Programme using Local Development Orders extending over clusters of small sites. Nor has Homes England or the Government taken any steps to provide opportunities for community-led development in public land disposals, though there are notable positive examples from local authorities, most recently in Liverpool.

The government did propose recognising community-led development for the first time in the National Planning Policy Framework in

a consultation launched in December 2023. It sought proposals to give this teeth, and to improve the small sites policy. There is an opportunity to be bold here and to signal to local planning authorities and landowners that the government wishes to support – in principle – community-led development that meets local needs, with local support. A targeted exception site policy, similar to that proposed below for custom and self-build, would be welcomed by communities and landowners.

The community-led sector has welcomed the support and interest of the Self Commissioned Housing Unit, but there was no mention of the connection with community-led development in Homes England's new strategy. As is more generally the case, there is a lack of senior drive and prioritisation for this from the top.

Recommendation 4: Promote Greener Homes and more use of Advanced Manufacturing

The latest industry research highlighted that over half of all CSB homes use modern methods of construction and include a sustainable heat source. Simply put, this is the difference when the customer is in control.

All seems to have gone quiet with the Modern Methods of Construction Task Force. There has certainly been a lack of engagement with the CSB sector.

The same is true of the mortgage sector which, despite the leadership being shown by the Bank of England, appears to have made little progress in endorsing and accommodating the greater use of timber (and other non brick or stone cladding). At times it appears that glaciers are retreating faster than the mortgage sector is moving forwards.

Rising interest rates have clearly been a substantial focus for the sector but the leadership shown by the smaller building societies shows that this is a matter of will rather than resource.

It appears there is a similar lack of progress in the 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 by doing so enable greater initial investment in energy-saving technologies. A firmer nudge from the Government and the Bank of England is needed.

Since my report, the Prudential Regulation Authority has proposed changes to remove an

existing (pan European Union) part of the capital regulation for banks and building societies, which, if made, would have a substantial adverse impact on the availability and cost of funding to the sector. No rationale has been provided and it is extremely important that this unwarranted change is not allowed to be made.

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

There is welcome progress in providing greater support to custom and self-build housing through planning reforms, although it is important to note that this process is ongoing and that the welcome steps taken to date are only part of the necessary journey to ensure the growth of the sector to meet the latent demand and that the Right to Build legislation operates as Parliament intended.

In 2016 the Housing & Planning Act set out the Government's aspiration of doubling the number of self commissioned homes being built within three years. Over 6 years after the legislation was enacted the number of permissions granted has yet to show any sustained upwards trajectory and has fallen short in every year of the numbers joining registers.

The annual data is insufficient to address the key question as to whether or not the duty placed on local authorities is met.

This insight is possible thanks to the welcome publication of the Right to Build data – which clearly highlights the need for policy interventions to provide authorities with the tools to ensure that the duty is met, by methods other than inappropriate steps to constrain access to Registers. However, for too many planning authorities, compliance with the legislation cannot be discerned from the public data alone.

The new Clause 117 in relation to self-build and custom housebuilding will, when commenced, require that a development permission will only count in meeting the duty if it is actually for custom and self-build homes. It also provides for the Government to introduce additional much needed



Photo: Graven Hill / Beauty & Bicester

regulations to specify the types of planning permissions that should be counted towards a local authority's statutory duty to meet the demand for custom and self-build homes in its area and, importantly, also makes abundantly clear that demand for custom and self-build homes in an area which is not met in a specific year is rolled over to the next.

These are important changes which help to sharpen the law and I look forward to working with Ministers to ensure the regulations are implemented quickly and help in delivering a step change in sector growth.

There is however more that can and should be done through regulation and through changes to the National Planning Policy Framework (NPPF) and to National Planning Policy Guidance (NPPG). Consideration of these changes was absent from the recent NPPF consultation and needs to be implemented alongside the primary and secondary legislation. Specifically, I continue to hold that it is important that:

- Substantial weight be given custom and self-build as a material consideration, with the Presumption in Favour of Sustainable Development where the duty has not been met.
- There is a targeted exception and windfall site which would enable custom and self-build housing on unplanned housing sites in rural areas and on sites adjacent to existing

settlements in the revised National Planning Policy Framework.

- Government prohibits the use of fees and eligibility criteria to suppress demand replacing this with an improved exemption approach only where such an exception is required.

Data collection needs to be refined to ensure that compliance with the legislation, and the basis for constraints to registers (whilst they remain) can be fully reconciled and evidenced. Even now the annual data published by the Government is insufficient to address the key question as to whether or not the duty placed on local authorities through primary legislation has been met.

It is disappointing that the Government has not chosen to take action through primary legislation to address all the poor practices by local authorities to dampen numbers on registers, despite the clear evidence presented. Given this, it is important that the Government is more active in ensuring that, where fees and local connection tests are imposed, they operate in the manner that they themselves have determined.

I am also encouraged by the proposals in the Government's consultation for a strong set of National Development Management policies to support the reforms and I would encourage the Government to work with industry to ensure they include a robust package of policies to support custom and self-build homes delivery, particularly around the role



Photo: Bright Green Futures / Sally Foxley-Tagg

of s106 planning obligations and conditions; how serviced plots are marketed, delivered and built out and the role and implementation of design codes for custom and self-build housing.

Policy implementation is now at a critical stage to ensure we see they deliver against local and national objectives.

My review recommended greater support for local authorities taking a more interventionist approach to bringing land forward for custom and self-build homes. I have seen little evidence of progress but welcome land auction provisions and pilots under Part 5 of the Levelling Up and Regeneration Bill (LURB), which provide the potential for plots to come forward for local people as is the case in Germany and the Netherlands; welcoming the PLWB board reduced interest rate for Councils, and planning reforms to introduce area-wide design codes under Clause 15F of Schedule 7 to the LURB, which will have the effect of providing greater certainty for SMEs and self-builders and help bring more plots forward.

Recommendation 6: Iron out any Tax Creases

Uncertainty as to the tax position and the strong perception that this favours speculative development over community and individual self-build continues to constrain the market. This is both directly and indirectly – for example, through the

detering effect of tax advice given to landowners who would otherwise have a preference against a speculative build model.

Since my report there has been limited engagement with HM Treasury and with HM Revenue and Customs (other priorities having intervened) but I am hopeful that conditions are such that progress can now be made.

I welcome the Government's technical consultation on the Infrastructure Levy commitment to maintain exemptions for self-build housing to support the diversification of the house-building industry. However, it is important, and I expect that, the replacement should include revisions that fully recognise that there are unintended current challenges in exempting to custom and self-build apartments, terraces and semi-detached homes. Therefore the Government should work with the sector to identify ways in which such forms of custom and self-build homes can benefit from the exemption, to maximise the intended effect of the exemption and boost sector growth, as recommended in 6(d) of the Bacon report.

Other Activity

On 28 February 2023 the Competition and Markets Authority (CMA) launched a market study into housebuilding in England Scotland and Wales. I have written to the CMA on this matter and in support of the study and that custom and self-build is included within its scope.

I believe the sector offers a route to greater competition in the housebuilding sector, not least through the separation of land supply and housing delivery – enabling the market (that is the consumer) to play a greater role in determining the houses that are delivered.

In summary & next steps

Two years after it was published I am confident in my Review and its recommendations. Despite a year of delay there is welcome activity to point towards, but it is not enough to deliver at scale the more and better homes that are needed and that the self-commissioned sector can provide.

My report identified a missing market for new homes and highlighted a route already proven elsewhere for driving up competition, innovation, choice and much greater value across the market as a whole. The tools are available to end the housing crisis. It is time for the government to act at scale to deliver the changes our people need.

Putting customers in charge can change everything.