



Government Response to the Communities and Local Government Select Committee Report: Capacity in the Homebuilding Industry

Presented to Parliament
by the Secretary of State for Communities and Local Government
by Command of Her Majesty

October 2017

CM 9517





Government Response to the Communities and Local Government Select Committee Report: Capacity in the Homebuilding Industry

Presented to Parliament
by the Secretary of State for Communities and Local Government
by Command of Her Majesty

October 2017

Cm 9517



© Crown copyright 2017

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at

Department for Communities and Local Government
Fry Building, 2 Marsham Street
London SW1P 4DF
Tel: 0303 444 0000

ISBN 978-1-5286-0068-2

CCS1017178718 10/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

Government Response to the Communities and Local Government Select Committee Report: Capacity in the Homebuilding Industry

Introduction

The House of Commons Communities and Local Government Committee conducted an inquiry into capacity in the homebuilding industry which concluded with a report in April 2017. Our broken housing market is one of the greatest barriers to progress in Britain today. For 30 or 40 years we simply haven't built enough homes. As a result, the average home now costs almost 8 times average earnings.

Last year saw more planning permissions granted than ever before, while the number of new building starts is at its highest level in nearly a decade. But the Government agrees with the Committee's analysis that there is much more to do. Fundamentally, we need to build many more houses in the places that people want to live. Our ambition is to deliver 1 million homes by 2020 and a further 500,000 homes by 2022. Our Housing White Paper 'Fixing our Broken Housing Market' sets out the steps we will take to tackle the failures at every point in the system.

First, we need to plan for the right homes in the right places. Second, we need to ensure that homes are built quickly once planning permissions are granted. Third, we will diversify the housing market, opening it up to smaller builders and those who embrace innovative and efficient methods. Finally, because building the homes we need will take time, we will also take more steps to help people now.

This Government has already made progress, for example in launching the Housing Infrastructure Fund (HIF) in July 2017, which is a government capital grant programme of up to £2.3 billion to help to deliver up to 100,000 new homes in England in the areas of greatest housing demand. However, ongoing private investment will be essential to improve productivity in the homebuilding industry, and the industry itself has a key role to play both in training future workers and investing in innovation in supply chains.

Recommendations

The Committee set out a number of recommendations for Government. Our response to each is as follows.

Developer behaviour and build out rates

1. We encourage the Government to consider how it can influence the financial model of the sector and encourage developers to take a longer-term perspective and a greater stake in civic homebuilding.

The Housing White Paper recognised that a handful of commercial companies are responsible for most new building and that their financial model and the structure of the wider market does not deliver the homes we need. Britain's 10 largest developers build around 60% of new private homes and the number of homes delivered by small and medium enterprises (SMEs) has reduced from 44,000 in 2007 to 18,000 in 2015.¹ We outlined in the Housing White Paper our proposals to release more land and to influence the financial model of the sector by encouraging new players in the market, developing skills, increasing transparency and giving local authorities the tools to deal with slow build-out, in order to increase housing supply over the longer term.

Firstly, the Housing White Paper outlined our proposals to make more land available for homes in the right places, through maximising the contribution from brownfield and surplus public sector land, regenerating estates, releasing more small and medium-sized sites, allowing rural communities to grow (by expecting local planning authorities to identify opportunities for villages to thrive) and making it easier to build new settlements.

Secondly, it outlined how we plan to influence the financial model of the sector through diversifying the housing market. This will be achieved by bringing in new players with support for SMEs and custom builders, boost productivity and innovation by encouraging modern methods of construction, and support new investment in Build to Rent. Our additional £1.4 billion investment in the Affordable Homes Programme (AHP) has also helped to diversify housing supply, by delivering nearly 333,000 new affordable homes since 2010, including 240,000 affordable homes for rent. We have now increased the current affordable homes budget to circa £9 billion.

Thirdly, we have proposed action to encourage and support the sector to take a longer term perspective and to address the challenges it faces. For example, the Housing White Paper made clear that the annual number of planning permissions continues to exceed the number of completions by too large a margin and the pace of development is too slow. We outlined in the Housing White Paper our plans to ensure that local planning authorities have more effective tools to hold developers more closely to account for the delivery of planned new homes. In the last twelve months, nearly 304,000 homes have received planning permission. We also outlined our plans to increase transparency by requiring developers to provide more information about the timing and pace of delivery of new housing. There are also long standing skills shortages, and we

¹ These figures relate to the number of registrations received by NHBC and therefore do not reflect all housebuilding firms. A builder is required to register a home with NHBC at least 21 days before building starts. After registration, builders may decide not to build on a particular plot. Small builders are defined here as firms registering between 1 and 100 units.

expect the sector to lead in resolving this issue, by fulfilling its 2016 commitment to bring in 45,000 new skilled workers by 2019/20. Government will also act, changing the way we support training in the construction industry so that we have the best arrangements to ensure strong industry leadership – starting by reviewing the Construction Industry Training Board. Through these actions we will address the longer term issues facing the sector and encourage developers to take a more civic attitude to housebuilding.

Monitoring build out rates

2. Working with developers and local authorities, the Government must ensure that the data collected by local authorities on the development pipeline are more thorough and reliable. It must be clear at a local level how many planning permissions have been granted, at what stage those permissions are, who owns the land, when the permissions will be built out and what the reasons for any delay are.

We are in agreement with the Committee on the need for much better data on the development pipeline. The Housing White Paper consulted on three specific proposals to increase transparency around build out:

- Applicants would be asked to provide an estimated start date and build rate as part of the planning application form.
- Developers would be required to submit their actual and projected build-out rates to local planning authorities who would then publish this information.
- Large housebuilders would be required to publish aggregate information on build-out rates.

We are analysing the consultation responses and will publish our conclusions in due course. In addition the White Paper announced the introduction of a Housing Delivery Test which will provide an annual publication of housing delivery against the number of homes required in each local authority area. The White Paper also committed to more detailed guidance on monitoring the 5 year land supply of deliverable housing sites. The Government has recently launched a consultation on a standard approach to calculating local housing need, which will provide a transparent and consistent basis for understanding the need for homes in each area, allowing local authorities to plan properly to provide the homes where people want to live.

Accessing finance

3. The Government should consider helping smaller building companies to access credit at more favourable rates.

The Government is committed to helping SME companies to grow their business and contribute more to housing supply. Measures set out in the Housing White Paper will directly provide development finance to SMEs. This includes the £3bn Home Building Fund, of which £1bn is available for short term finance (with over 90% of completed applications received since October 2016 from SMEs), and the £100m Housing Growth Partnership equity finance specifically for

SMEs. By helping smaller builders develop a demonstrable track record of delivery, SMEs will be better positioned to agree more favourable terms from commercial sources for future projects. As with all Government funding programmes, the Home Building Fund is required to comply with state aid rules. However, it lowers the cost of credit for SME house builders, for example by absorbing the cost of valuations and monitoring surveyors; limiting the arrangement fee at 0.5% and removing non-utilisation or exit fees. Since the launch of the programme in October 2016, 140 SMEs have applied for development finance through the fund totalling £517 million to build over 19,000 homes, with loans ranging from less than £0.3 million up to £35 million.

4. The Government should publish a strategy within the next year outlining the practical steps to be taken to encourage commercial lenders to lend on more appropriate terms to home builders. The Government should look closely at the lessons that can be learned from the German model of support for SME companies, which offers support and certainty for the sector as a whole rather than to individual companies.

Government support through our funding programmes demonstrates our confidence and support for the SME sector as a whole and gives a clear signal to the wider market. These funds are providing SME companies with the opportunity to access the finance they need now and to build a longer term track record which will put them in a better position to access future commercial finance. We regularly speak to the leading commercial lenders and will continue to do so. However, the terms of the individual loans are for individual lenders to determine, taking into consideration the Financial Conduct Authority (FCA) risk and liquidity guidelines. For these reasons, it would not be appropriate for Government to intervene further and encourage commercial lenders to lend on more appropriate terms to home builders. Therefore, we have no current plans to publish a strategy.

We have reviewed the German KfW Bankengruppe model and agree that there is a role for the state to play in supporting SMEs access to finance. Government has intervened in the market and as a result provides loan, equity and guarantee programmes through the Homes and Communities Agency, and a partnership with Lloyds Bank where SMEs benefit. We believe that the best value for money for the taxpayer is to intervene in the market where we directly increase housing supply and as a result have so far not implemented a refinancing model similar to the example provided in your report. Government is open to learning lessons from other countries and we will implement new ideas where appropriate.

Accelerated Construction

5. The HCA should provide regular written updates to the Committee with progress reports against key milestones.

The Homes and Communities Agency (HCA) publicly reports on its performance across all schemes regularly, for example in HCA Annual Reports. Outside of these events, we would of course be happy to respond to any specific requests from the Committee.

Building by local authorities

6. We recognise that some local authorities may be wary of increasing borrowing in a time of austerity, but in light of the severity of the housing crisis recommend that all HRA borrowing caps should be raised and in some cases removed, where housing affordability is at its worst.

In 2015-16, local authority borrowing headroom had increased to some £3.4 billion on top of almost £2.5 billion of general Housing Revenue Account reserves accumulated by local authorities since borrowing caps were introduced as part of the programme to reduce public debt. The Government has implemented technical amendments in the treatment of impairments and depreciation of capital assets within the Housing Revenue Account, effective from 1 April 2017. This will free up resources within the account, which would otherwise be tied up through accounting technicalities. We are also open to conversations with Councils about other potential flexibilities that may exist within the existing framework, to reduce the administrative and cost burden on local housing authorities where they wish to build new housing for social and affordable rents.

The Housing White Paper recognised the important role of local authorities in increasing supply of affordable housing, and Government has committed to review the options for achieving this. We are also looking to strike housing deals with councils to support ambitious and innovative plans for additional homes in high demand areas beyond what they are required to deliver, including pro-development councils that wish to increase supply of affordable housing in their area. Furthermore, the Government recently announced a green paper on social housing: a wide-ranging, top-to-bottom review of the issues facing the sector.

7. The Government should review the capacity and skills of local authority housing companies to assess whether they are able to access the quality of expertise needed and to identify and share examples of best practice in order to improve performance and the delivery of new homes.

The Government agrees with the Committee that there are examples of local authorities developing new and innovative ways to build more homes – particularly through Local Housing Companies. One such example is Ashford Borough Council, Kent who have invested £100m in their Local Housing Company to deliver homes in the Private Rented Sector, and who see the HRA as being the vehicle to deliver affordable housing. They have built 278 homes in the HRA since 2011; their strategy is to build on land that is unattractive to other developers, scoring well from an additionality perspective. The local authority has carried out a thorough review of assets and staff and delivered £10m of savings to keep them in a healthy position.

We have been clear that we support authorities using companies to deliver market housing for sale or rent, and the LGA has pledged its support for the ambition to release local authority land with capacity for at least 160,000 homes, announced by the Chancellor at Budget 2016. We are keen to work with local authorities as they develop and spread best practice. There are no plans to undertake a review of Local Housing Companies at this time; instead we are closely following sector-led work that is being undertaken on their development, which will inform our approach going forward.

Housing associations

8. We welcome the Minister's recognition of the need for certainty over social rent levels, and call on the Government to provide this as a matter of urgency to ensure that housing associations are able to maximise their delivery of new housing. At the very latest, certainty over social rents should be provided by the Autumn Statement.

The Government recognises the need for a stable investment environment for councils and housing associations to support the delivery of new homes. We confirmed on 4 October that the Government will set out a long term rent deal for social landlords in England, where increases will be limited to CPI + 1 per cent for five years from 2020. We will be looking to the sector to show that it can make the best possible use of its resources and make a very substantial contribution to building the homes this country needs.

The Government will also provide £2bn of additional funding to deliver more affordable homes, including at a social rent, increasing the Government's Affordable Homes Programme budget to circa £9bn. This funding will further support councils and housing associations to build homes in areas of acute affordability pressure, and where working families are struggling with the costs of rent and some are at risk of homelessness.

These measures reinforce this government's approach to back housing of all tenures – with more social housing; extra security for those in the private rented sector; and helping people get onto the housing ladder.

Tenure diversity

9. The Build to Rent Fund has proven to be successful in helping to deliver greater tenure diversity and we urge the Government to ensure that the consolidated Home Building Fund does not overlook the rented sector. We recommend that in a year's time our successors seek reassurance from the Government that the consolidated fund is providing effective support to Build to Rent products.

The Government is clear that we want to see Build to Rent continue to grow and make a significant contribution to housing supply. The Housing White Paper announced further proposals to follow the success of the Build to Rent fund. This includes a consultation on changing the National Planning Policy Framework so local authorities know they should plan proactively for Build to Rent where there is a need, and to make it easier for Build to Rent developers to offer affordable private rent as an alternative to other types of affordable housing. A summary of responses to the consultation was published on 3 August 2017.²

In addition, existing financial interventions such as the Home Building Fund (HBF) are not overlooking Build to Rent. The very first deal announced under the HBF was a major Build to Rent deal for over 2,000 rental homes being developed by Dandara (a private developer) in Manchester, Leeds and Birmingham.³ More recently the HBF made a £25 million cornerstone

² <https://www.gov.uk/government/consultations/planning-and-affordable-housing-for-build-to-rent>

³ <https://www.gov.uk/government/news/2000-new-homes-and-thousands-of-jobs-in-birmingham-leeds-and-manchester>

investment in The PRS REIT plc and a £65 million loan to support infrastructure for private rented sector (PRS) homes at Wembley Park. The £3.5 billion Private Rented Sector Guarantee Scheme is actively processing a pipeline of applications to guarantee long term debt for Build to Rent units and so helping create confidence in the market to invest.

The Government would be happy to keep the Committee updated on our support for Build-to-Rent, particularly once responses to our consultation have been considered and future policy confirmed.

Assessing housing need

10. The Government is currently consulting on a standardised approach for assessing housing requirements, but use of the new standardised methodology will be an expectation rather than a requirement. The Government should ensure that there are sufficient incentives for local planning authorities to use the standardised methodology for assessing housing need, and Planning Inspectors should take use of the methodology into account when considering local plans.

The current system for assessing local housing need is too complex and lacks transparency – resulting in unnecessary cost and time – and making it hard for people to understand and engage in debates locally. This is why the Government is currently consulting on a new standard approach which will provide a transparent and consistent basis for understanding the need for homes in each area – one which is more realistic about the current and future housing pressures in each place and reflects affordability. The consultation includes some proposals to incentivise local authorities to implement the new approach and we will continue to consider what other options might encourage places to build more of the homes the country needs.

Sites brought forward for development

11. The Government must set out the requirements on local authorities to ensure that larger sites are sub-divided.

Local planning authorities should have policies in plans that allow a good mix of sites to come forward for development, so that there is choice for consumers, places can grow in ways that are sustainable, and there are opportunities for a diverse construction sector. Large sites make a significant contribution to the provision of future housing, ensuring a strong pipeline of homes for decades to come. There are over 300 large sites (those delivering at least 1,500 homes) across England with capacity for up to 900,000 homes.

Many large sites are already delivered in phases through market mechanisms. We are also aware that authorities are pioneering some innovative approaches to secure housing delivery on larger sites, for example the council owned Graven Hill site in Bicester Garden Town is providing 2,000 serviced plots for self-builders. However, we recognise that large sites are complex, often requiring significant local co-ordination to ensure that the necessary infrastructure is in place to support new homes. Capacity to design, manage and implement these improvements can be a barrier locally. In March we allocated £16.5 million capacity funding benefitting 98 local authorities: the funding was allocated following a competitive local authority bidding process run by the Homes and Communities Agency (HCA). The ‘capacity fund’ equips councils with the resources to deliver

large-scale housing projects and resolve planning issues that can delay builders getting on site. We also recently launched a new £2.3 billion Housing Infrastructure Fund. The Fund will be key in supporting local authorities to step up their plans for growth, releasing more land for housing and getting homes built at pace and scale. The Fund is an important demonstration of our commitment in the Housing White Paper to ensure that infrastructure to support housing delivery is provided in the right place at the right time in a co-ordinated way.

The Housing White Paper put forward a number of measures to encourage development of small sites and support small and medium sized builders, including a proposal that local planning authorities work with developers to encourage the sub-division of large sites. We are currently considering the responses to this consultation as a basis for amendments to the National Planning Policy Framework. Our ambition is to consult on a draft, revised National Planning Policy Framework early in 2018.

Permitted development

12. We call on the Government to ensure that in its response to the Community Infrastructure Levy Review, it considers the appropriateness of homes built using permitted development rights not contributing to local services, infrastructure or affordable housing.

Homes built using permitted development rights are subject to Community Infrastructure Levy (CIL) and they therefore contribute funding for infrastructure. This is appropriate given the potential impact of new development on infrastructure requirements. However the CIL Regulations also include a vacancy test. When a vacant building is brought back into use it is not required to pay CIL. This is designed to avoid the levy being a disincentive to bringing buildings back into use. The test was designed to avoid these developments, which only create a limited new burden on infrastructure, being unfairly charged CIL.

Section 106 planning obligations are used to mitigate the impact of otherwise unacceptable development, to make it acceptable in planning terms. By its nature permitted development should already be generally acceptable in planning terms and therefore planning obligations would ordinarily not be necessary. Planning practice guidance sets out that any planning obligations entered into should be limited only to matters requiring prior approval and should not, for instance, seek contributions for affordable housing.

An independent review of CIL and its relationship with section 106 found that the current system of developer contributions is not as fast, simple, certain or transparent as originally intended. We are currently considering the CIL Review, which recommended that a new levy is charged on a whole development, including where this is allowed through permitted development rights. The Housing White Paper set out the Government's intention to examine options for reform and to respond to this review. We will consider these issues as part of our wider policy development.

Site viability and developer contributions

13. We therefore reiterate the findings of our predecessor Committee and recommend that

developer assumptions and assessments of viability must be shared with local authorities to ensure that the provision of infrastructure, affordable housing and build density is not compromised.

14. We therefore urge the Government to explore the feasibility of a standardised methodology for assessing viability, much as it has proposed for agreeing Objectively Assessed Need.

The Government published 'Planning for the right homes in the right places' on 14 September 2017. Amongst other things this seeks to speed up development by simplifying the viability process and creating more certainty about the contributions developers are expected to make. It also seeks to increase transparency, so that communities and decision makers can understand the findings of viability assessments. The Government proposes updating planning guidance in order to do this, and welcomes proposals for how to do so in response. This could range from setting out clearly defined terms to be used in viability assessments, a preferred approach to calculating costs and values (including land values), the format and accessibility of viability assessment reports, through to detailed process and methodology. Transparency could also be promoted, for example, through the use of standardised reports.

Planning Fees and Resources

15. Councils should be required to demonstrate that the additional income from the increased fees has been used to accelerate housing and other developments, and to publish this information on their website to give developers assurance that the additional costs can be justified. The proposed second twenty per cent increase should incentivise all aspects of planning, not just the processing of applications.

A lack of capacity and capability in planning departments can act as a constraint and restrict developers' ability to get on site and build. An increase in planning application fees is an important step to resourcing difficulties in local planning authorities.

Paragraph 2.15 of the Housing White Paper outlined that nationally set planning fees would increase by 20% for those local authorities that committed to invest the additional fee income in their planning department, and all 366 local planning authorities have agreed to ring fence the additional income. Planning application fees, like most sources of local authority income, can be used for investment in any authority activity. Therefore, ring-fencing the fee increase is in itself a way of demonstrating that the additional income is invested to support the delivery of an effective planning system and supports greater transparency on how the money is being spent. Part of this requirement is compliance with the Government's Transparency Code for Local Government, however there is no requirement for local authorities to publish on their website how the additional fees have been spent within their planning service. The additional income generated from the increase will be used in accordance with the specific needs of the planning department in each local authority and will be discretionary, allowing them to use it in the most effective way. The Government is bringing forward the affirmative regulations in the autumn which, subject to Parliamentary scrutiny, will apply the increase.

An increase of a further 20 per cent on the current fee level could be applied to those authorities

who are delivering the homes their communities need. We are consulting on this proposal as part of the consultation document 'Planning for the Right Homes in the Right Places' published on 14 September 2017.

16. The role of planning is fundamental to the success of communities, and council leaders and chief executives must show leadership and support to recognise this and empower innovation by planners. Local authorities must show a commitment to the planning function and ensure there are incentives and support in place for employees that are seeking further training and formal planning qualifications, such as those facilitated by the Royal Town Planning Institute (RTPI).

We agree with the Committee that it is essential for local planning authorities to have the capacity to provide a high quality planning service to get the permissions we need to get homes built. We provide funding to and work with the Planning Advisory Service, which is part of the Local Government Association and whose remit is to provide help, advice, support and training on planning and service delivery to councils. We are already seeing many local planning authorities take innovative and creative approaches to how they are structured and resourced. Some have decided to share planning resources between authorities, for example between Cherwell and South Northamptonshire district councils and Peterborough and Fenland district councils. Through the Planning Advisory Service we will ensure that best practice is shared. We have also provided funding towards the Royal Town Planning Institute bursary and apprenticeship programmes which seek to develop skills and increase the opportunities for people to gain formal planning qualifications. In the Housing White Paper we further committed to provide £25m additional capacity funding to support local authorities with the resources to deliver their services more effectively.

Brown field, green field and the green belt

17. Any changes to a green belt designation should only be made as part of the wider local plan review process to ensure opportunities for community consultation. While we believe that removing land from the green belt should be a last resort, we reiterate our recommendation from our earlier report: the Government should publish guidance for local authorities, setting clear guidelines on when and how it may be appropriate for a local authority to review its green belt boundary in order to deliver new homes to meet local need.

This Government is committed to maintaining the strong protection of the Green Belt. Our National Planning Policy Framework makes clear that only in exceptional circumstances may a local authority alter a Green Belt boundary, after consulting local people and submitting its revised Local Plan to independent examination. The supporting Guidance reminds local authorities that, in planning to meet local housing and other needs, they must have due regard to policies in the Framework (including Green Belt policy) which may restrain an authority's ability to meet those needs.

The Housing White Paper proposed a clarification of policy on 'exceptional circumstances' to make clear that a local planning authority may alter a Green Belt boundary when it demonstrates that it has examined fully all other reasonable options for meeting its identified development needs,

including:

- Effective use of suitable brownfield and estate regeneration;
- The potential of under-used land and surplus public sector land;
- Optimising the density of development; and
- Exploring whether other authorities can help to meet some of the identified development.

The White Paper also proposed that the detailed boundaries of the Green Belt should be capable of being amended through neighbourhood plans – which also benefit from thorough community engagement – but only where a local or strategic plan has demonstrated the need for change. We are analysing the responses received, and will publish our response in due course.

Off-site construction and modern methods of construction

18. We welcome the Government's support of Modern Methods of Construction, but believe that it needs to take a more active role to improve the wider sustainability of the MMC supply chain and to encourage the market to grow. This could include the work of the HCA and its support of rental developments.

19. We support the increased use of Modern Methods of Construction and note the understandable caution exercised by lenders. In order to address this, homes built using MMC should have a single, recognised quality assurance mark, sponsored by the Government, to give lenders, consumers and builders the confidence to use new methods.

To increase housing supply, we need a diversified housing market where all firms embrace innovation to become more productive and deliver a better product to the consumer – building more homes using modern methods of construction would be a part of this. Where modern methods of construction are used, less on-site manpower is required to assemble homes than would be needed in traditional construction. This will help deal with future skills challenges.

The Housing White Paper announced a series of measures to better promote modern methods of construction. The Government will stimulate the growth of this sector through our Accelerated Construction, Right to Build, Custom Build and Build to Rent programmes. These programmes will create new opportunities for the use of modern methods of construction to encourage investors into the sector, and give current suppliers confidence to expand into the housing market.

The Government has also pledged to look at how the operation of the planning system is working for modern methods of construction developments and work with local areas who are supportive of this type of manufacturing to deliver growth, provide jobs, and build local housing more quickly. Alongside the Home Building Fund, the Government will also consider the opportunities for offsite firms to access innovation and growth funding and support, and the wider financial incentives for them to grow.

In addition, to deliver our commitment in the White Paper to ensure mortgages are readily available for homes built using modern methods of construction, we are currently working with

the industry to set up and support a joint working group with lenders, valuers and the industry to ensure that mortgages are readily available across a range of tested modern methods of construction. As part of their considerations this group will also look at the proposal for a recognised quality assurance mark.

Custom and self-build

20. We welcome the recognition from the Government in the housing White Paper that accessing finance is a major obstacle to custom and self-building, and its commitment to continue working with lenders to address this. We ask that the Department provide the Committee with an update on this issue in twelve months' time.

21. We believe that the Government needs to review planning policy guidance to ensure that the measures promoting custom and self-build in the NPPF lead to greater opportunities for such development in local plans. In particular the fees charged by local authorities for the custom and self-build register should be reviewed to ensure they are not prohibitive.

22. We are therefore disappointed at the lack of progress in the five years since the Committee's report, and call for a more proactive role to support custom and self-build by Government and local authorities as investment by public bodies can encourage private investment.

The Government recognises that access to land and finance can be a barrier for custom and self build projects and the Government is committed to continually look at new ways to address these issues. The short term element of our £3 billion Home Building Fund, focussed on small and medium sized builders, is already working to fund such projects. The 'Right to Build' legislation means local authorities must now hold a register of people who want to self or custom build in their area and changes introduced through the Housing and Planning Act, which require local authorities to permission sufficient land to meet that demand, will also help to ensure that land is available for custom build. The Government is supporting the National Custom and Self Build Association's (NaCSBA) Right to Build Expert Taskforce which has been established to assist local authorities, community groups and other organisations deliver large affordable self and custom build housing projects over the next three years. In addition, as confirmed in the Housing White Paper, the Government has an on going dialogue with lenders on what more can be done to support custom and self-build, and welcomes the news that Virgin Money and Nottingham Building Society have announced that they will be lending on custom and self build projects. We would be happy to provide the Committee with an update in 12 months' time.

On the fees for joining a local authority register, the legislation that we have introduced is clear that fees may only be charged on a cost recovery basis and the planning policy guidance has been updated to reflect the new legislation. In addition, new burdens funding has been provided to local authorities to carry out this new responsibility. However, we are aware of a very small number that are charging for this service. As implementation of the legislation rolls out, we will continue to monitor the position carefully and, where appropriate, explore with local authorities how their fees relate to the cost recovery requirement in the legislation.



If we do not believe local authorities are taking sufficient action to promote opportunities for custom-building and self-building, we will consider taking further action including possible changes to legislation.

The declining and aging workforce and the skills gap

23. The importance of EU labour to the construction industry should be taken into account by the Government in setting priorities for the Brexit negotiations.

The Government is clear that building more of the right homes, in the right places is central to our vision of a country that works for everyone, as set out in our Housing White Paper. To achieve this ambition, we need the right construction skills, the right materials, and the right methods to build the homes this country so desperately needs. The Government welcomes the commitment of the Home Builders Federation and the Construction Industry Training Board to deliver 45,000 skilled workers by 2019 and encourages the industry to go further. EU nationals make an important and valuable contribution to life in the UK, and Government is seeking an early agreement on the rights of EU nationals in the UK on a reciprocal basis. We have made this a priority for our negotiations. The Department is working with the Home Office, other government departments and industry to address this issue and to prepare for exit. We have also encouraged the Home Builders Federation and the Federation of Master Builders and others in construction to submit evidence to the recent call for evidence issued by the Migration Advisory Committee.









CCS1017178718

978-1-5286-0068-2

