13 February 2024

My Lords,

During the Lord Young of Cookham question on Wednesday 17 January, I promised to write to Baroness Butler-Sloss, Lord Mackenzie of Framwellgate and Lord Taylor of Goss Moor, as I was unable to respond to them at the time.

**Baroness Butler-Sloss asked whether, to assist affordable housing, some thought should be given to building prefabricated houses?**

I am pleased to report that the Department for Levelling Up, Housing and Communities shares the cross-government objective of increasing the use of Modern Methods of Construction (MMC), which includes the concept of ‘pre-manufactured housing’. New technology and innovation have improved productivity, quality, and choice in off-site manufactured housing, which has evolved far beyond prefabricated housing. By embracing more MMC, housebuilders can deliver high quality new-build homes more quickly. Taking advantage of these growing technologies has the potential to deliver more energy efficient homes to buyers, improve site efficiencies, lower embodied carbon, and reduce waste.

One of the things which I talked about during the question was our £11.5 billion Affordable Homes Programme (AHP) which will deliver thousands of affordable homes for both rent and to buy right across the country. The Levelling Up White Paper published in February 2022 committed to increasing the supply of social rented homes and many the new homes delivered through our AHP will be for social rent. The AHP is committed to delivering homes using MMC with 25 per cent of delivery through Strategic Partnerships, and 10 per cent of remaining delivery set to use the technology.

Some of the potential benefits of the MMC have not yet been realised in the housing sector because it has not reached scale. We are focused on tackling the barriers to increasing the use of MMC: bringing down the cost of MMC in housing; stimulating a sustained demand pipeline to attract investment and providing employment opportunities.

**Lord Mackenzie of Framwellgate asked is there a requirement for all new builds to be fitted with electric heat pumps and compliant insulation? If not, why not?**

The Building Regulations are set in performance terms without prescribing the specific technologies to be used, which means that housebuilders have the flexibility they need to innovate and select the most practical and cost-effective solutions for their developments.

We expect that heat pumps will become one of the main heating technologies under the Future Homes Standard (FHS). We intend to legislate for the FHS in 2024, ahead of full implementation in 2025. The FHS will ensure that new homes produce, on average, upwards of 75 per cent less CO2 emissions than those built to the 2013 standards. The standard will be set at a level which means no new homes will be built with fossil fuel primary heating. The FHS will also ensure that there are very high standards in place governing the fabric of new homes, including the insultation. As I mentioned homes built to the FHS will be ‘zero-carbon ready’, meaning that no further work will be needed for them to become zero-carbon in use as the electricity grid decarbonises.

In December 2023, the Government published a consultation on the FHS. The consultation sets out detailed technical proposals for all aspects of the standard. It is due to close in March 2024 and all responses will be carefully considered before the standard is finalised and implemented. The consultation can be found here:

<https://www.gov.uk/government/consultations/the-future-homes-and-buildings-standards-2023-consultation>

**Lord Taylor of Goss Moor asked what will the Government do to support smaller housebuilders, which will soon have no access to the skilled trades to build homes and yet do not have access to factories to use modern methods of construction to deliver them either?**

Small and medium sized (SME) housebuilders are an indispensable part of our housebuilding sector, and the Government is committed to ensuring the right support is in place. We have put in place financial measures to support SMEs, including the £1.5bn Levelling Up Home Building Fund (LUHBF) and the £1bn ENABLE Build Guarantee scheme. LUHBF provides loans to SMEs to deliver around 42,000 homes across the country. The Levelling Up and Regeneration Act will also support SMEs to build more homes by making the planning process easier to navigate, faster and more predictable.

The Government recognises how critical it is for industry, including firms involved in housebuilding, to access a labour market with the right skills and training. Therefore, we are increasing funding for apprenticeships across all sectors to £2.7bn by 2024-25. This funding will continue to support apprenticeships in non-levy-funded employers, often SMEs, where Government will continue to meet 95 per cent of apprenticeship training costs. A wide range of other government-funded programmes are also available for construction employers who are considering hiring employees, offering work experience, or upskilling existing staff. These include T Levels, Sector Based Work Academies, Skills Bootcamps, and Free Courses for Jobs.

Our work to develop a technical standard for offsite manufacturing with the British Standards Institution, which is due for publication at the end of 2024, will help pave the way for more SMEs to enter the MMC marketplace by reducing barriers linked to warranty provision.

I hope you find this letter helpful, and I am very grateful for the opportunity to discuss the important issue of building homes across the country. I will also send a copy to those Peers who spoke to the question and will place a copy in the House Library.



**LORD GASCOIGNE**