

Housing, Communities and Local Government Committee

Oral evidence: Modern methods of construction, HC 1831

Monday 1 April 2019

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Members present: Mr Clive Betts (Chair); Bob Blackman; Mr Tanmanjeet Singh Dhesi; Andrew Lewer; Mr Mark Prisk; Matt Western.

Questions 136 - 251

Witnesses

I: James Dalton, Director, General Insurance Policy, Association of British Insurers; Charlie Blagbrough, Policy Manager, Housing and Mortgages, Building Societies Association; Neil Smith, Head of Standards, Innovation and Research, National House Building Council; Mike Basquill, Associate Director, UK Residential, Royal Institution of Chartered Surveyors.

II: Louise McGough, Senior Policy Officer, Housing and Land, Greater London Authority; Stephen Kinsella, Executive Director, Land, Homes England.

Examination of witnesses

Witnesses: James Dalton, Charlie Blagbrough, Neil Smith and Mike Basquill.

Chair: Thank you very much for coming to the Committee this afternoon to give evidence in our inquiry into modern methods of construction. I will just say at the beginning that it is almost certain we are going to have to leave fairly shortly, not because you have said anything that upsets us, but because we may have a vote in the Chamber that we all have to attend. When the bell goes, we will stop the meeting and disappear, and then come back in about quarter of an hour. Thank you for coming.

Before we come to you, I will just ask members of the Committee to put on record any particular interests they may have that are relevant to this inquiry. I am a vice-president of the Local Government Association.

Bob Blackman: I am a vice-president of the Local Government Association and, as of today, I employ a councillor in my office.

Andrew Lewer: I do not employ a councillor in my office as yet, but I am a vice-president of the LGA and my interests as per my entry in the Register of Members' Financial Interests.

Mr Prisk: I am a fellow of the Royal Institution of Chartered Surveyors.

Q136 **Chair:** Thank you very much for coming. Before we ask you some questions, could you just go down the table and say who you are and the organisation you are representing today?

Mike Basquill: I am Mike Basquill. I am associate director in the residential professional group of the Royal Institution of Chartered Surveyors.

James Dalton: My name is James Dalton. I am the director of general insurance policy at the Association of British Insurers.

Charlie Blagbrough: Good afternoon. I am Charlie Blagbrough. I am mortgage policy manager at the Building Societies Association.

Neil Smith: Good afternoon. I am Neil Smith, head of standards, innovation and research at NHBC.

Q137 **Chair:** Thank you for coming. To begin with, could you just say a little bit about how your organisation has engaged with the developments around MMC so far? Could you tell us a few things that are going well, which you are pleased with, and one or two things that are not going quite so well or have not gone quite so well so far in your dealings with it?

Mike Basquill: RICS is a standards organisation with a 100,000-plus practitioner membership in all sorts of areas: building surveying, quantity



surveyors, residential planning and development, and about a dozen others. We regulate our members and our firms.

In terms of MMC, we are looking at four areas. The first is survey, which is divided into four different types of survey, and that is principally for a lay clientele, so when you are buying a house, you instruct a surveyor to do a condition survey for you. The second is valuation, divided into two client groups, one for the same as the previous one and two for secured lending—in other words, a mortgagee. The third is digitisation. Our Qs are working closely with the development of BIM and other digital products for tracking product and specification in all forms of new construction. Fourthly, in terms of metrics, we have a department called building cost information service, which gathers data on the cost of construction.

James Dalton: The first important point to make is that the insurance industry wants to be an enabler of MMC development. Part of helping us do that is to ensure that we understand the products, processes and standards that are underpinning the use of MMC materials in construction. As part of that, we are pleased with the work that the MHCLG building working group has been progressing. We would like it to progress a little bit faster. We would like a bit more insurance industry representation around the table, but, broadly speaking, we are comfortable with progress.

The reason I can say that is because I think the key asks that the insurance industry has—around the development of a database, the better use of mechanisms to increase skills in the construction sector, more use of standards and certification, and increased consumer awareness—are all issues that are being considered within the context of that group.

Charlie Blagbrough: We represent 43 building societies in the UK. At the latest poll, 28 of those were willing to lend on modern methods of construction, and that included the top 10 lenders, who account for around 90% of the mortgage assets in the building society sector. I would say that there is quite a long history of lending on self and custom-built developments within the building society sector, where there are more innovative forms of construction.

Over the past three years, since we launched our first report, “Laying the foundations for MMC”, we have definitely noticed that our members are more comfortable with lending on modern methods of construction. The one thing I would note about that is it is currently a by-exceptions process. That means that they have to put more resource into the underwriting and they have to pay close attention to the valuation report that comes back. Broadly, they are happy that properties built using modern methods of construction are mortgageable and saleable. There are some concerns, I think similar to those of the ABI, around the durability of some of these methods, repairability and local skills—that is,



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trade skills in order to be able to make repairs. We also sit on the group chaired by Mark Farmer and those are things being discussed at that group.

Neil Smith: NHBC's role is to work closely with our home-building industry to improve the standard and quality of homes built in the UK. We have been in existence for 80 years as a non-profit distributing company, and I suppose it is fair to say that, in that period, we have seen an awful lot of new forms of construction. Everything is new at one point. Indeed, the other day I was thumbing through some NHBC standards that date back to 1946, and you see reference to lead plumbing and asbestos being used. Obviously, the industry moves on, and ours is a key role in influencing change to make sure new systems that are adopted are fit for purpose, durable and suit homeowners' needs. As you are aware, we provide a 10-year warranty for about 80% of new homes built in the UK.

Q138 **Chair:** We will come back to issues of durability and repairability with another question. Apart from that, finance seems to be raised as a concern from time to time. That may be a concern for the private purchaser who is not able to access a mortgage easily, and it is also a concern for the developers who have said to us that very often the financing of their cash flow through the development process has been more difficult, because of the concern that, if something goes wrong, there is not another tradesman down the road who can just come in and replace the one who has walked off site. Is that an issue that needs addressing?

Charlie Blagbrough: I can speak from our perspective. Building societies are largely mortgage lenders, so they do not do the corporate finance. In terms of supporting custom-build developers, we are certainly comfortable with that. At the moment, there are probably not enough units coming forward. For some of the lenders to be more comfortable with lending on these, they need to go through the risk assessments. In terms of access to mortgage finance, I think NHBC did a report and questioned developers, and it only came fifth of the six factors they saw in terms of actually increasing the use of MMC. As I mentioned, we have 28 members who are currently lending on MMC.

Q139 **Chair:** The rest are not.

Charlie Blagbrough: They are not currently, but I think as we see more supply coming on to the market then—

Q140 **Chair:** Is it because they are so small that they do not have much experience of them?

Charlie Blagbrough: I think it is just a question of the risk assessment. The boards have to put in place a lending policy that will detail the construction types they are willing to accept. They may not accept certain systems. As we see more supply coming on to the market, we think more lenders will come in.



Q141 **Bob Blackman:** From a lending perspective, are there limits on the expectation of the life expectancy of a modern home? If it is brick-built or traditional-built, it is expected to last for a considerable period of time, so there are no issues about lending on it. Modern methods of construction may suggest that these are not built to last for hundreds of years. They are built to last for a relatively limited amount of time. Does that then limit what building societies, banks or other lenders will provide, in terms of lending?

Charlie Blagbrough: I suppose these are modern methods, so they are relatively new and there is not the data out there. Part of the work the Farmer group is going to be—

Q142 **Bob Blackman:** Is there guidance on the minimum expectation on life expectancy of a property before someone will lend?

Charlie Blagbrough: We gave advice on the setting up of the Buildoffsite Property Assurance Scheme, which has a 60-year building life. We are moving in the direction of probably longer building life assurance, and that is part of what the working group is looking at. I do not think the 60 years is a drop dead date. People do not expect their properties to start deteriorating after the 60 years. It is just that that is what the assurance scheme has been set up for.

Q143 **Chair:** If there were two similar properties, either on the same development or nearby developments—one traditional and one MMC—would you be looking to give the same mortgage on them? Would you feel comfortable? From a valuation point of view, would you be looking to value the properties the same?

Mike Basquill: The valuation is market-led, so it would be strongly influenced by prevailing market levels for that type of house. The key feature of the house would be in terms of two bedrooms, three bedrooms, apartment, high-rise—whatever that particular typology is. Our surveyors would try to identify the mode of construction of that house, and it is not always easy, even with standard construction: solid brickwork, cavity brickwork, maybe some hybrid. Modern methods of construction is no different.

We are boiling the typologies down to about seven in the MHCLG group that has been referred to. The best thing we can do in RICS is to equip our surveyors with the skillset and the competencies to recognise those types of construction. At the moment, we are producing a home survey standard, which sits on top of the suite of home survey reports. You can have a grade report, obviously linked to invasiveness, but the home survey standard will set the standard that those reports need to achieve. One of those standards will be to recognise the typology. We will be appending Mark Farmer's sevenfold typology to the home survey standard.

Q144 **Chair:** You have said valuations are market-driven. Does the market recognise the difference?



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Mike Basquill: It is probably too early to say yet. I have not encountered a huge amount of resistance on the part of lenders to modern methods of construction.

Q145 **Chair:** There is not resistance.

Mike Basquill: Not really. I have limited experience, but the developments I have visited and the factories I have visited and inspected would not suggest to me that there are great grounds for concern that the product is inferior in any way.

Q146 **Chair:** Although people think it is, I suppose. Whether it is or not, that's a—anyway.

Mike Basquill: People have market perceptions of all sorts of things. Maybe timber frame, which is a medieval construction technology, has slight fire risk connotations.

Q147 **Chair:** We will come on to that in due course. Just to come back to the insurers and the warranty, is there any difference in insuring properties?

James Dalton: The insurance industry has hundreds of years of experience of insuring buildings made from brick and mortar in the traditional sense. One of the challenges that the industry is grappling with, with others on this panel and through the MHCLG working group, is to better understand the risks posed to buildings built from MMC materials. How will that product and that house, as an overall structure, respond to wind, fire and storm, for example? That is something we are continuing to grapple with at the moment, as an industry. At the end of the day, as I say, we have hundreds of years of data on how buildings respond. At the moment, there is a bit of a lack of information.

Q148 **Chair:** You are still learning.

James Dalton: We are still learning, which is why we are very keen on the establishment of this database, so that insurers and everyone else—the fire service, and customers and consumers—have a centralised repository of information about what their potential house purchase or, if they are already an owner, their house is made of, and how best to respond to some of the challenges that house poses, in terms of repair, for example.

Q149 **Chair:** Finally, Mr Smith, are there differences in warranty?

Neil Smith: I would say that the distinction between a modern method of construction and a conventional home is probably a bit of a false one. Most homes now have some elements of modern methods of construction, whether that is a prefabricated first floor, a prefabricated chimney or something like that. Most homes have those kinds of features these days. We have characterised modern methods of construction as being a spectrum, with a complete home or a home built from complete modules that come to site—volumetric units—at one end, and then site-based innovation at the other end. Most things fall somewhere in



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between the two, so things like timber frame panels or steel frame panels go in the middle somewhere.

From the point of view of NHBC, they still have to satisfy the same standards and the same demands of quality and consumer expectation, et cetera. Indeed, once we are happy that the building has been satisfactorily completed, it is issued with the same warranty, regardless of the nature of the construction.

Q150 Mr Prisk: Following on from that, given the lack of long-term data that you have referred to, how do you measure risk at this point?

James Dalton: As I said, what the insurance industry has is quite a lot of experience. I would echo the point that has just been made: there is quite a lot of experience in “traditional” buildings. There is quite a lot of experience from the industry in terms of understanding how various components of the building respond to various perils. In terms of the spectrum analogy, at the very far end of the spectrum there is a lack of data on buildings that are completely made from MMC-related materials.

That, as in my answer to the previous question, is what the industry as a whole is grappling with at the moment. Given that we do not understand how particular parts of the building will respond to various risks that insurers are seeking to underwrite against, they are taking a bit of a gamble, in terms of their underwriting. In some respects, that gamble is going to mean that the insurance premium for those particular properties is probably slightly higher than it would need to be were there to be centralised data around how various components of the building respond. With better data, the industry would be able to underwrite more accurately, and consumers would enjoy lower premiums as a result.

Q151 Mr Prisk: Do you feel it is more the methods than the materials that is the critical issue for you?

James Dalton: It is both. I do not think you can separate the two. The materials are an important component. But if the materials are well designed, meet certain standards and are certified, but are poorly installed, that does not necessarily reduce the risks that are posed. For example, creating cavities within walls is a very easy way for fire to get through a building. The materials are really important. There is no doubt about that, but I would say that the skills to install those materials are equally important.

Q152 Mr Prisk: Perhaps this is a question for the whole panel. Clearly, risk is integral to some of the work that the Qs or building surveyors do, and it is similar for other members of your organisations. Is it possible to look at other sectors, such as the schools sector, where we have perhaps some more data here in the UK in terms of offsite construction? Is the sector looking at overseas markets, such as the Japanese or the Swedes? There is Almere; I think we saw in written evidence that the BSA has been to look at that. What data are you reaching out to in order to better



understand the nature of the challenges for your members or organisations?

Mike Basquill: The BCIS, the Building Cost Information Service, picks up tender price information and creates price books for all types of construction across all tenures and all asset classes. It is a bit difficult to compare the residential market, because it is so different. It is the only one where individual households are taking out a very long-term, high-capital loan against a property they are actually going to live in for so long. I do not think there is any asset class quite like that. We cannot transfer the non-residential data—in complete part—into the analysis of residential, but we are now just starting to pick up data on modern methods of construction. It is beginning to come together. We just have to start on that.

James Dalton: The market we have been engaged with is Germany. We have looked to work with our insurance industry colleagues in Germany to understand their experience of what we would describe as MMC-related products. Broadly speaking, the response that we have had from them has been, “We were asking ourselves the same questions a few years back when we started to see this emerge in our market. You UK insurers are asking the right questions in our experience”. It gets better once you understand how the product responds. The key question they continue to focus on is installation.

Q153 **Mr Prisk:** It is more about the method than the material.

James Dalton: At the moment in the UK market, it is both, as I said in my response to your previous question. Once we understand the products better, it will be about maintaining a rigorous focus on correct installation of products.

Charlie Blagbrough: As you have mentioned, we have conducted three visits for our members. The first was to the Legal & General factory up in Leeds, which is using cross-laminated timber. That was a combination of surveyors and NHBC valuers who were going along to the factory to look at the materials and the factory settings.

The second was to Almere in the Netherlands, where there has been a large self and custom-build development since the 1970s and 1980s. As part of that, we met with Rabobank, who are one of the largest mortgage lenders. Their perception was that there had not been any increase in losses attributable to lending on modern methods of construction. That was their view across the Netherlands. Of course, it is important that that is somewhere with a similar sort of weather, and a similar sort of mortgage market and housing market.

The third was to Graven Hill in Bicester, which is, in some ways, seeking to replicate Almere. The view of our members was that they would be happy to lend. Indeed, around five of our members are lending on



Graven Hill. We are also looking to go to the Ilke Homes development up in Gateshead.

In terms of current data, it is a little bit more difficult. Going forward, societies are looking to improve their management information and actually capture the construction types. It has been quite difficult to get sectoral data because of the differing lending policies out there and the different definitions of what modern methods of construction is. Going forward, using the typologies that the Farmer group has come up with, we would be looking to embed that and capture data.

Q154 **Mr Prisk:** The fact that you said earlier that 28 of your members are already willing to lend suggests they are confident they have sufficient data. Is there any particular reason why the other members feel that data is inadequate?

Charlie Blagbrough: Among those 28 lenders are some of the larger lenders, so they will go around and visit factories. They will go onsite and see how the properties are assembled. There is also a history of self and custom-build, so they have data from those developments. Where they are using more innovative construction types and some of these materials, such as timber, steel and concrete, they have not seen any increase in losses from those.

Neil Smith: Our input is at a much earlier stage. It is when the system is being proposed for its first use that we get involved. We have to make an assessment of the risk that system presents and try to manage the risk accordingly to make sure it will deliver good long-term performance for the owner of the home. As I said, having been around for 80 years, we have a pretty good idea of what is likely to succeed and what is likely to cause problems in practice. We try to apply that in our everyday decision making.

We also supplement the experience we have from our residential sector in the UK with experience of the commercial sector in the UK, and with international work with other warranty providers around the world and other international organisations. Personally, I have been involved in trips to Japan, China, Scandinavia, et cetera, and it has been quite interesting to be able to compare and contrast what they are doing there with how we do things here.

There are differences. For example, a lot of countries have much less severe weather than we have in the UK. We have a climate where we are very prone to wind-driven rain. In the UK, we will not allow some kinds of construction that are allowed elsewhere in the world. Indeed, this sort of decision making has been validated by the existence of problems with certain forms of construction in similar climates over the recent decades. In particular, I do not know if you have come across the condo crisis in New Zealand. It was a widespread failure of timber frame used at medium high-rise level.



Q155 **Mr Prisk:** How high?

Neil Smith: It would typically be about six storeys. It was poorly designed, poorly detailed, and about 50,000 homes suffered from decay. It was a major problem for the mortgage provider, who went bust, and for the Government in that area. We are always very anxious to take those lessons we learn and apply them in this country. It has served us in good stead so far.

Q156 **Mr Prisk:** I am intrigued that you say that our weather is more intense than other countries. I am thinking of the general environmental conditions in Japan, where they obviously have major challenges, including potential earthquakes. The Swedes' climate is obviously substantially colder. Is it the dampness? Is that what you are referring to?

Neil Smith: It is the wind-driven rain that is a particular feature of our weather. Thankfully, we do not have too many earthquakes.

Mr Prisk: I am Cornish, so I am familiar with it.

Q157 **Mr Dhesi:** In the written evidence from your Association of British Insurers, Mr Dalton, you raise questions about durability and performance, especially in the case of fire, for homes using MMC. What are your main concerns in this regard? Are there any examples of where problems have occurred?

James Dalton: The point we are making is that, at the moment, there is a lack of understanding of how various products will respond in response to various perils, whether it be flood or fire, as in your example. As part of the standardisation and certification of products and processes, in a separate post-Grenfell inquiry we have been calling for much more rigorous testing of products and processes used in construction, so that we can ensure that the fire safety of the building protects both the people within that building but also the building itself, and—especially in the context of high-rise buildings, à la Grenfell—that it protects the structural integrity of that building.

Q158 **Mr Dhesi:** Mr Blagbrough, what were your concerns with regards to durability and the risks of fire?

Charlie Blagbrough: Clearly, there has been a lot of work going on in the post-Grenfell environment. Going forwards, we want to see more testing. I think the standardisation of the assurance process is going to give our members more confidence that the testing is being done going forwards.

Q159 **Mr Dhesi:** Mr Smith, your National House Building Council say that increased quality is one of the most common areas and reasons for housebuilders to adopt modern methods of construction. Is there a difference between quality and durability? Are there any new technologies that can help to mitigate those issues?



Neil Smith: Yes, indeed. The statistic you refer to comes from NHBC Foundation research that we carried out a couple of years ago, looking at the drivers for the adoption of modern methods of construction. As you say, quality was certainly cited as one of the primary drivers. It stands to reason that something built in the big controlled environment of a factory should be better than something built in the open air. Sadly, that is not always the case. That is not necessarily our experience. It is important to note that MMC is not a panacea. You have to take a great deal of care with the part of the work that is done onsite. Our role is to work both in the design phase of a new system and to make sure that things are done properly onsite by the builder.

To some extent, modern methods of construction can actually lead to additional problems onsite, because obviously the tolerances have to be better onsite. Something that would otherwise be built by a craft process is suddenly of a very fixed dimension that has to be accommodated onsite.

Q160 **Mr Dhesi:** Mark Farmer said that because MMC construction uses a lot of traditional forms in materials and in methods, concern around combustibility is not necessarily warranted. Would you agree with that, Mr Basquill?

Mike Basquill: Yes, I would. I would go back to what I define as the main characteristic of modern methods of construction, which is that a much higher proportion of it is built in a factory setting, and you can achieve testing and quality assurance in the factory before it goes out. You can have product traceability for whatever the components are—light gauge steel or cross-laminated timber. That can be traced back through a warranty and guarantee system, in which flammability will have been one of the key criteria.

Q161 **Mr Dhesi:** With regards to the RICS, do you differentiate between different types of MMC? If so, do you have any particular preferences or different types you are more likely to engage with, as an industry?

Mike Basquill: No, we would not select a preference in that sense. We are adopting the MHCLG group's sevenfold typology to append to our home survey standard. That sevenfold includes cross-laminated timber, timber frame, light gauge steel and panelised.

Q162 **Mr Dhesi:** Mr Smith, do you have any particular preference with regards to different types of MMC?

Neil Smith: It is a question of what is appropriate for the particular builder, and what is within their skillset to implement safely. An SME might want to do something less ambitious than a volume builder. Regardless of the builder, it is always down to good design, good implementation of the design onsite and making sure that all the detailing is satisfactory.

Q163 **Mr Dhesi:** Mr Dalton, did you want to come in on this?



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James Dalton: Yes, if I may. I just wanted to go back to the question around combustibility. It is very important to remember that the construction of the building is one phase. When the building is then lived in or worked in is almost another. In some respects, one of the concerns our industry has is to understand how buildings are used in practice once they are constructed, because that could significantly affect combustibility. For example, if you put a hole in the wall, because that is what you wanted to do to the wall, but it has in some way created a mechanism through which fire can more easily move through the building, that is something we would want to understand as an industry. My point is that construction needs to be seen as one stage of the process, but then the occupation of the structure should also be carefully considered and understood.

Q164 **Mr Dhesi:** Can you elaborate further on that point, Mr Dalton? Within your written evidence, you suggested that you may need to replace whole sections of a building when a small part is affected by fire damage. What evidence is there to support that assertion?

James Dalton: There is none at the moment, because we do not understand enough about how these buildings work in practice. The concern we are flagging is that, when these large modular pods are built in a factory setting, they are installed onsite, and if there is a small piece of damage that is ultimately insurable, which results in some form of damage, as an industry we need to understand whether that particular defined piece of damage can be repaired in situ or whether the whole thing needs to be taken out. Clearly, if it is the latter, it is significantly more expensive. Therefore, that is what we as an industry need to understand.

Q165 **Mr Dhesi:** You pointed that out within your written evidence, but there is not any particular example that would support that at present.

James Dalton: No, not that I am aware of. I could certainly write back to the Committee, if that is useful, once I get back to the insurance company members to understand that. The broad point is that, because it is a new and emerging method of construction, we do not have enough data to understand how some of these modular pods, for example, respond in real-world conditions.

Q166 **Chair:** Just to pick up one point there, it is not just about the method, is it? It is about the installation or the occupation. We have heard all about the different methods that are around, but they all have elements that have failed in the past. We could talk about timber frame. We had the timber frame crisis in the 1980s. Much of that was due to bad installation onsite, with nails going through the damp-proof membrane, but actually it could be that the household puts the nail through when they hang their pictures up. The concrete panels have failed in the past because they have not been installed properly and have let water in. Steel frames have failed because they have corroded. Have we got lessons to learn from the fact that we have had all these failures of elements that have now been



incorporated in the new MMCs?

Neil Smith: Indeed, we have, Chair. I first joined NHBC 30 years ago, and my role was to run a scheme called the PRC homes repair scheme to deal with the defective concrete houses that had been built as council houses after the Second World War. From that experience, we are very well aware of what does fail, and similarly with the other issues to which you refer, regarding timber frame and steel frame. We are able to apply those lessons to what we are assessing now and say, "This has all the hallmarks of what we have seen before", or, "This has designed that particular issue out by careful detail in specification". Certainly, things like codes of practice for the design of steel and codes of practice for concrete have moved on over the decades based very much on that experience. Provided we all have the attention to detail, we should not be running into the problems we have had before.

Q167 **Chair:** What about from an insurance point of view?

James Dalton: Your question reinforces the need for all parts of the construction, insurance, banks and building societies sectors to be working together. One of the benefits of the work of the MHCLG group has been that all those groups and interests are offering differing perspectives into the discussion, such that everyone understands how everyone is approaching this issue. The more we can do that—and, indeed, through this Committee, the more we can better understand some of the challenges and issues—will only be a good thing.

Q168 **Chair:** This ought to apply to building inspectors onsite signing off work. They presumably have to know what they are doing as well.

James Dalton: Neil mentioned earlier the issues in New Zealand, at which point I was a policy adviser in the relevant Government Department. One of the lessons from that, and indeed one of the things that is very important to understand about construction, is that it starts from consumer demand. It goes through the architecture process. It goes through a building standards and compliance process at local authority level. It goes through construction onsite and then it goes through use. Seeing the construction of a building as merely just the bit that happens on the site, behind the scaffolding or the fencing, misses the whole spectrum of issues that can arise at various parts of the process. My submission to you is that construction needs to be seen a lot more holistically.

Mike Basquill: Defects start very early on in the design process. In traditional construction, I have seen loads of poor detail on plans that I knew would fail after 15 or 20 years, but which would have met all the criteria on quality assurance, approval and construction through the process. That is amplified with modern methods of construction, because the precision, which can be achieved, has to be there at the design stage.

Q169 **Bob Blackman:** Moving on to building regulations, we received a number of submissions in written evidence suggesting that the building



regulations are not appropriate to modern methods of construction. Do the panel agree or disagree? If you agree, what changes would you like to see made?

Neil Smith: I should declare an interest. I am a member of the Building Regulations Advisory Committee. We provide advice to the Minister responsible, so I have some insight here. The feeling of myself and colleagues is that building regulations are probably fit for purpose, but the level of guidance that could be developed that would usefully expand on MMC would certainly be worth review.

There is also one specific area that I have a concern about, and it is the conflict between level access for disabled use and timber floors that are very close to ground level. Obviously, timber is at risk of decay if it is not kept dry and therefore it is essential it is well above ground level. There is a certain conflict there that needs to be managed. Additional guidance would be very useful.

There are another two specific things. It would probably be appropriate for building regulations to adopt a specific durability requirement. Regulation 7 should stipulate some minimum durability requirement. Also, we are aware that the use of volumetric construction with big units creates some special risk, in relation to Part B, fire. Some guidance in that area would probably be quite useful. That would probably form part of the review of Part B, which is currently underway.

Charlie Blagbrough: I would echo all those comments. We can only go on the products that are coming on to market, and clearly they are being signed off through building regulations. One of the potential benefits of modern methods of construction is that there are ways in which it can surpass building regulations on things like energy efficiency, airtightness and things. We would like to see building regulations evolve to improve quality. I am not an expert in building regulations, but there are parts of it that probably refer to traditional construction—things like cavity walls—that could be updated to meet modern methods of construction.

Q170 **Bob Blackman:** Would it help lenders to actually lend money on the properties if building regulations were more specific?

Charlie Blagbrough: Yes. For the whole of package of measures—building regulations evolving and being updated, the warranty process, understanding the quality assurance process and whether the quality assurance is being done by any number of different warranty providers—we want more confidence in what the actual process is that is being followed by the industry.

James Dalton: The construction industry and the building sector is not different from many others, in that the underpinning regulations tend not to keep up with developments in the market. In that respect, there is more that could be done to ensure that building regulations are kept up to date. For example, one of the things we have been calling for for many



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years, which I think has more resonance in a post-Grenfell environment, has been around the fact that approved document B on fire safety has not been updated for 12 years. That is just one example of how regulations are put in place and not sufficiently reviewed in the light of market developments, and changing ways of building and construction.

Also, I do not think it is enough for the Government and regulators to undertake a review at the end of the process and think that that is the end of it. Given how long some of these reviews take, you almost need to go back to the beginning and start again, so they are under a constant period of review.

Chair: We are going to have to go, so we will suspend the Committee for 15 minutes. If we are all back before then, we will start as soon as we get back.

Sitting suspended for a Division in the House.

On resuming—

Q171 **Bob Blackman:** I think, Mr Basquill, you were just about to answer my question about the situation on building regulations. If I could refresh your memory, we have received lots of written evidence saying that building regulations are not fit for purpose for modern methods of construction. Basically, do you agree? If you agree, what changes would you like to see to building regulations?

Mike Basquill: I am not an expert on the building regs. I would not go as far as to say that they are not fit for purpose, but I would say I have a major reservation about fire safety.

Q172 **Bob Blackman:** That comes to my second point. I think the Association of British Insurers has said that combustible materials should be banned from all high-risk and high-rise buildings. That is fair, is it not? Does everyone agree with that? Mr Basquill, you have concerns about fire safety.

Mike Basquill: No, I would not have a blanket ban. My concern would be about detailing and designing in fire safety.

Charlie Blagbrough: From our point of view, as RICS has stated, there have to be holistic fire safety measures in place. One of the issues post Grenfell is the number of people who are in properties with cladding. We do not want those properties to be blighted, because there are consumers in those properties. If they become un-mortgageable, they effectively become unsellable. It is something that needs to be closely looked at going forward.

Neil Smith: I would echo those comments. I would also say that the decision is about the height of the building. Obviously, what you might accept as being suitable for a bungalow would not necessarily be suitable for a building over 18 metres. Also, in the whole MMC consideration, we



need to think about timber as a material, because it does have sustainability advantages—environmental advantages—over other materials. We need to be careful in our decision making.

Q173 Bob Blackman: Could you see timber being used in high-rise buildings, if it was appropriately treated and in a condition whereby it was less of a fire risk?

Neil Smith: Part B, which is currently being reviewed, has to consider that holistically and come to the right decision.

Q174 Bob Blackman: Many of the written submissions talk about having a database that can track construction, performance and the modifications that are made. What would a database look like, and how would it be managed? Can I start with you, Mr Dalton, because you have not really had a chance to talk about your view on high-risk buildings?

James Dalton: One of the things that colleagues on the panel have highlighted is that information is important. At the moment, there are lots of buildings being built out there with MMC components to them. We, as an insurance industry, do not know that. My colleagues in the lending sector do not know that. Lots of people do not know that. Most important of all, customers do not know that when they buy those buildings. We think there are challenges with the development of a database, but our submission to you, and indeed to the Ministry, is, "Let us have the discussion".

What do people need to understand about how MMC is being used in individual buildings? Let us all put ideas on the table. Let us have a conversation about funding, because it is always going to be a conversation about money. But let us start that conversation. The challenge I would pose is that, if, in 10 years' time, we decided that it would be useful to know which buildings have which components in them, from an MMC perspective, we are too late; so let us start having that conversation.

Q175 Bob Blackman: How far have you got with the Ministry with these discussions?

James Dalton: It is a slow burn, if you will excuse the use of that term. We have put that idea on the table. We continue to await meaningful feedback about how that discussion could be taken forward.

Q176 Bob Blackman: If we have this database, who would actually be responsible for the database and its maintenance?

James Dalton: That is an open question for discussion. There are a number of options. It could be the Ministry. It could be the Land Registry, for example. I do not have the answers.

Q177 Bob Blackman: Could it be your organisation, for example?



James Dalton: We are certainly one of the organisations that would benefit from the data, but I do not think it would be right for insurers to monopolise that data. There are lots of other people, including policymakers, who would benefit from understanding what is in that database. We are happy to have and be part of that discussion, but the really important thing is to start having the conversation in a meaningful way and to progress it, rather than looking back in 10 years' time and going, "Oh, wouldn't that have been nice?"

Q178 **Bob Blackman:** Would this help the surveying of buildings and suchlike?

Mike Basquill: Yes. Just to go back to my previous theme about starting at the very beginning, there is a travelling database now called building information modelling, which captures design specification, construction detail and other data, right from proof of concept phase. If I may, I think that that should be part of the building regs. That should become the use of BIM—building information modelling—and, in its various evolutions, should be considered to be obligatory.

There are so many applications other than health and safety. With regard to health and safety, you can see on a screen exactly what the construction is—the concealed construction. You know where to inspect, but you can think of other advantages. Say you are an institutional developer of long-term builds for rent or a housing association of a social rented block; you can transfer your database through to steady-state occupation and household characteristics, asset management, cyclical repair and responsive repair. You can analyse your development appraisal. If you can get your yield up by even 0.5%, it might make all the difference between doing that development and not doing that development. Then you are starting to go on the journey of getting up to 300,000 units a year. I am a very big supporter of capturing as much data as possible as early as possible.

Q179 **Bob Blackman:** Is it appropriate to be thinking of not just properties in modern methods of construction, but also traditional as well?

Mike Basquill: Absolutely, yes—all forms of construction.

Q180 **Bob Blackman:** Mr Blagbrough, do you have anything to add?

Charlie Blagbrough: Yes. One of the things we spoke about in our 2016 report was the concept of a property logbook similar to what you would have for your car. That would capture information about the build type and construction methods. One of the things to think about, in terms of the property market, is that we are not just talking about the new-build sector. When these properties are being sold on, it can be more difficult for valuers actually to assess the construction type, because a lot of these properties look like traditional build methods. Also, on the remortgage side, there are a lot more lenders using automated valuation models, so you do not actually have a physical inspection of the property.



That would be a sort of digital database. Everyone who is represented on this panel would find it beneficial to actually have access to that database. It would allow more sharing of information within the industry, and— particularly in terms of the mortgage market—with mortgage brokers actually referring cases to lenders, understanding the construction types that are accepted by specific lenders. That would be helpful as well.

Q181 **Bob Blackman:** Mr Smith, do you have anything to add?

Neil Smith: I support what has been said by panel members already. I do not have anything particular to add.

James Dalton: Could I just add one more thing? One of the other key beneficiaries of a potential database would be the fire and rescue service. When they receive a call about a specific property, they can look it up in the database and know what it is made of, which they potentially cannot see when they get onsite.

Q182 **Chair:** We have talked about the working group that Mark Farmer is chairing. Do you think that it is making sufficient progress? What do you want to see come out of it?

Mike Basquill: I am on the MHCLG group as well, and I am working closely with Mark as regards the RICS issues that I mentioned earlier. Yes, the group is making progress. It is slow progress, because, as one of my colleagues remarked, all the players are represented around that very big table, and they are not necessarily all speaking the same language or pulling in the same direction at the same time.

There are two key areas where progress has been made. The first is the definition of the sevenfold typology; that is great for clearing some of the mystique around modern methods of construction. The second is what Mark is calling the MMC scheme. That is, as I understand it, a much beefed-up version of something like the BOPAS accreditation, which seeks to connect the developer and constructor with the client, lender, insurer and warranty provider, through a method of accreditation. You are accrediting a 60-year life, the technology itself, the supplier and where there are examples.

Q183 **Chair:** That is the aim. Is it actually making progress?

Mike Basquill: Yes.

James Dalton: I said in response to an earlier question that we are comfortable that there are the right stakeholders around the very large table. We would like to see progress made a bit more quickly and are willing to play our part, as an industry, in helping to facilitate that.

One thing I would add, if I may, is about the importance of the terminology. Only last week, we had the publication of the final seven set



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of terminological issues around MMC. Now that we are all talking the same language, that will help.

Q184 **Chair:** Why are there delays then? Mr Basquill referred to conflicts. What are they? What is going on?

Mike Basquill: It is a really complicated constellation of issues. It is not just about a single new product approval and development process. There are lots of not exactly competing interests around that table, but there are parties with very high-risk profiles attaching to this issue. Bearing in mind we do not really have a great dataset to analyse scientifically, it can only be slow progress.

Q185 **Chair:** Is there a danger that, with so many people and so many different interests, you get a lowest common denominator and things are not actually as helpful, at the end of the day, as they might be?

Mike Basquill: There is a risk that you might get an over-engineered product that actually is not fully economically fit for purpose. The consumer might end up paying more than they really ought to—and, indeed, the supplier and developer. As I say, it is about product development and maybe honing down a couple of frontrunners. I always liken it to Betamax and VHS in times past, which then just became one product, which then became obsolete as we moved on to something else. That is the way product development works, but it is pretty slow.

Q186 **Chair:** Are there any more comments?

Neil Smith: My own involvement with Mark Farmer's work has been on the so-called warranty assessment protocol, WAP. That is where we are trying to get common standards or a common approach to MMC that would be followed by all warranty providers. The engagement we have with our competitors is useful. It is somewhat unnatural for us to be in the same room, talking technical with them, but it is a positive step forward. The overall aim is to reduce the amount of bureaucracy and the repetition of technical discussions that somebody promoting MMC would have to go through. The early signs are good, but there are some key legal issues that require to be resolved at this stage. MHCLG lawyers are involved with that right at the moment, so hopefully we can clear that and get on with some work.

Q187 **Chair:** Presumably you will be wanting an approval process that let the things be approved that were going to last for 100 years, not 10, would you not?

Neil Smith: That would be one of the very first tasks. Once we have the principle agreed and once we sit down in a formal environment, with support from all parties, those are the very things that we will need to get to grips with. There are a whole lot of issues. Our own assessment process at NHBC is a desk study, followed by a factory visit, plus limited site trials. We want to make sure everybody is applying that same protocol to all MMC to make sure it actually works in practice.



Q188 **Chair:** Could the Government be doing more on all this to take a lead?

James Dalton: They have taken a lead, certainly in terms of convening the group. That is an important first step. There is the ongoing balance between making sure the widest possible group of stakeholders is being brought into the process and feels part of the process, versus progress. That is always a balance in public policymaking that the Ministry is continuing to grapple with. I want progress more quickly, but I also want to be part of the conversation.

Charlie Blagbrough: There has been a complicated set of issues. It has taken a little longer than we anticipated for there to be an output, but I believe Mark Farmer gave evidence that hopefully something is going to be in place by the end of 2019. It is important for the lending industry for MMC to become more mainstream and actually fit into standard processes. Currently, although lenders are not reporting difficulties with warranties on new-build properties, there have been some examples of them looking through some of the policy exclusions and things. I had a member who reported that the walls had been excluded from the warranty, another the roof. Obviously, you do not want to be going through the finer detail of the policy. It is going to be really crucial to have something where they can have confidence that all these builds have gone through the same insurance protocol and understand what is covered.

Q189 **Matt Western:** Can we move on to the topic of skills? When we were taking evidence from developers a couple of weeks ago, they were saying that it was the shortage of skills in traditional methods that was pushing or kick-starting the move to the wider adoption of MMC. Do you think MMC is a positive and progressive way of meeting that shortage and meeting the need for housing that we have?

Mike Basquill: Yes, I do. The conventional construction industry, largely based on building homes for owner-occupation for sale, has performed remarkably well. I think they have got up from about 130,000 units a year in 2012—obviously post global financial crisis—to 220,000 last year, but it is an ageing workforce. I am sure you have heard all this before. It is still not a terribly attractive workforce to young people coming on to the labour market. Of course, there is another factor, which is that an industry geared up largely to sell does not really want to flood the market, so there is an absorption issue there, which was covered in the Oliver Letwin report.

Having said all that, we have a 300,000 unit a year target to achieve. MMC, coupled with pre-manufacturing in factories, could be a very good fit with the industrial strategy and the construction sector deal to go offsite, maybe in areas of high unemployment or areas with traditional manufacturing skills bases. There would be no problem recruiting and training, bearing in mind it is not a full craft apprenticeship. Those units could be fabricated, whether that is volumetric, panels or one of the other typologies. Up to maybe 70% of total scheme costs could be done in a



factory by a relatively easily trained-up workforce in areas of high unemployment, let us say. You would be hitting a lot of good targets there.

Q190 Matt Western: Mr Smith, have you got a view?

Neil Smith: Yes. Certainly, moving production to factories, away from building sites, creates the opportunity for a more diverse workforce to engage in the construction process. It is fair to say a construction site is not a woman-friendly environment in the way that maybe a factory might be. Also, in terms of location, currently quite a lot of factories are up in the north of the country, which is good from an employment point of view.

I would say that, with most forms of MMC that we see, there is still a requirement for bricklayers. That does not generally go away with MMC, even if the bricklaying is only on the lower parts of the building where there is the foundation. We hear tales of bricklayers earning what I would regard as quite high sums of money. There is an opportunity for new multi-skilled trades to be developed, rather than focusing on an individual trade. MMC potentially brings a need for people who have a greater variety of skills, so it possibly adds to the interest of the kind of work involved.

Earlier, I referred to the fact that the use of MMC requires tighter tolerances onsite, which are a challenge, so it makes building harder in certain respects than if you did not take the MMC approach.

Q191 Matt Western: In terms of the skills—whether in factory or onsite—in putting together these very high tolerance elements and so on, what can be done to improve the quality of the build and give you much more confidence in this sector?

Neil Smith: It is simply about good design and learning lessons from the past. It is about good attention to detail and a trained workforce. If people are using a new system, they need to be trained to use it well, but if we get those things right, certainly it is not insurmountable. A lot of housebuilders build in various locations, so keeping a consistent workforce with the required skills can be a challenge if you move from one town to another.

Q192 Matt Western: Let us move on now to supply chain. Again, the developers said the lack of an established supply chain is one of the major constraints against adopting MMC. Is there anything that your industries can do to bolster it? Could a more efficient supply chain help allay some of the concerns regarding repairs and replacements of buildings using MMC?

James Dalton: Insurance has a role to play in almost any sector of the economy. There is probably a role that we can play in terms of working with the construction sector supply chains to understand better some of the issues that they are facing, if there are any from an insurance



perspective. I am certainly happy to be involved in those discussions as necessary and appropriate.

Charlie Blagbrough: Our members have a history of lending in self and custom-build. I suppose some of the custom-build developers would be purchasing from the supply chain. As more units are coming to market, I suppose those supply chains are going to become more established. The larger housebuilders are certainly moving in the direction of adopting more forms of modern methods of construction. Berkeley Homes has purchased a factory themselves. In terms of getting the supply chain, whether it is purchasing from manufacturers or bringing it into vertical integration, it needs to be supply-led in terms of the units coming through.

Chair: Thank you all very much for coming to give evidence to the Committee this afternoon. That is appreciated. Thank you very much.

Examination of witnesses

Witnesses: Louise McGough and Stephen Kinsella.

Q193 **Chair:** Thank you very much for coming to the Committee this afternoon. Can you just say who you are and the organisation you represent today, please?

Stephen Kinsella: I am Stephen Kinsella. I am executive director of land for Homes England.

Louise McGough: I am Louise McGough. I am a senior policy officer at the Greater London Authority.

Q194 **Mr Dhesi:** The Government, as you will no doubt know, have committed that they are going to try to deliver 1 million additional homes by 2020. As the GLA's report outlined as well, there is a need for 66,000 new homes a year in London to meet its own housing needs, of which you have identified 43,000 should be genuinely affordable homes. Do you think that modern methods of construction can help to speed up the delivery of these new homes and meet these targets?

Louise McGough: Yes, certainly. As you have noted, there is a very ambitious housing target for London of 66,000 new homes a year and a commitment from the Mayor to deliver, with the £4.8 billion he secured from the Government, 116,000 new genuinely affordable homes by 2022. The context here in London is expensive, and the reasons why are very well documented. We know that the population, especially the workforce, has risen far faster than the supply of new homes.

Our view is that these ambitious housebuilding targets cannot be met using traditional methods alone, so MMC—what the GLA calls precision



manufactured housing, but we are talking about the same thing—presents an opportunity to help tackle that housing crisis by delivering high-quality housing at pace and at scale.

There are a few reasons why, and I will no doubt be echoing what a lot of submissions and witnesses have stated, but the skills challenge is a big issue in delivering new homes. As we have talked about before, an ageing workforce means that the construction workforce will decline by nearly a quarter by 2026 and, in the context of potential Brexit for London, almost half of London's home-building workforce is from the EU. That presents a particularly acute challenge for London.

There are areas around speed of buildout; modern methods of construction can improve the speed of housebuilding. Around efficiency and density, again particular to London, MMC presents opportunities for efficiency and speed, particularly in taller buildings and more dense forms of home-building, which we know are prevalent in the capital. Again, as has been mentioned, it presents an opportunity to attract a more diverse workforce and construct at higher quality. Again, I am echoing what others have said.

Q195 Mr Dhesi: Mr Kinsella, do you think that using MMC would help to meet those targets?

Stephen Kinsella: We have been talking about a situation where we have not built enough homes for such a long time. Since 2012 we have increased the production to 220,000 homes last year, from around 130,000. We have seen a huge increase in housebuilding, but we know the system is creaking. We are lacking the professional and construction skills to deliver that step up to 300,000 that the Government are looking for, and we are also short of materials onsite at times.

This is about an increase to get us up to 300,000. It is not a replacement for traditional construction. It is about that step up that we need. We also know, as Louise has outlined, we have a demographic time bomb ticking away, with our construction skills especially. Around 20% of our workforce look like they will retire in the next 10 years or so. This, for us, is about creating a sustainable housing system with a capacity to deliver 300,000 homes a year every year.

Q196 Mr Dhesi: Both of you have touched upon some of the barriers that are already existing with regard to meeting those targets, but what do you think are the key barriers in terms of increasing the uptake of MMC?

Stephen Kinsella: From a developer's point of view, ultimately it is all about risk. When we talk to our developer partners, the agency's approach is really about having a dialogue, since we do not build homes. We work with developers who build homes, who receive our funding and who work with us on our land—developers of all sorts, from housing associations to the major housebuilders to SMEs. They all tell us they recognise that there is an increasingly difficult situation out there to



attract professional skills and the construction labour that we need to build homes. Everyone recognises that we need to do something about it. We need to recognise that situation and work with our developer partners to try to address the barriers.

People talk about the issues in the land market. It is difficult to buy land if you increase your costs above your competitors. There is something about the agency—Homes England being a landowner and providing an environment where we sell land—which allows builders to innovate and use modern methods of construction to become more efficient over time, so that there is no cost difference between modern methods and traditional methods.

We also know there is a problem with development finance. It is becoming increasingly difficult for developers to access development finance, especially small builders, and small builders are often the innovators in the housing market. We know our housing association partners are looking for solutions to the step-up challenge we have given them to increase the supply of new homes for affordable housing as well.

Modern methods give us the opportunity to deliver that step up, and our job is to work with the organisations that we work with to address those barriers. There are further issues around warranties, insurance, the land market and long-term uncertainty. Our job, as Homes England, is to use our funding, our influence and our land to try to create a situation where organisations can step up and increasingly deliver using modern methods.

Q197 Mr Dhesi: That is quite a comprehensive answer. Ms McGough, what else would you like to add in terms of the barriers to using MMC for developers?

Louise McGough: Echoing what my colleague has just said, risk is a big issue and that breaks down into quite a few areas. Again, we do not build homes, but based on our conversations with partners and certainly on the barriers that were picked up by our London Assembly Planning Committee, which looked at this issue, we know that lack of volume and certainty of demand is a big barrier. That limits upfront capital investment required to build factories and, again, that builds into the whole risk profile of MMC.

In the sector, there is still a nervousness about the perception of MMC. We hear that quite a lot, especially potentially from smaller partners, from potential inhabitants but also from planning committees and planning departments. They say that there is a risk that this sounds like the prefab of the 1960s, for example.

We know that lack of standardisation and a small market size fits into that bigger issue around risk. Again, there is warranty assurance, which we have talked about, and access to finance. We also hear that a lack of design guidance and information around how to adopt MMC methods is



potentially a barrier to some partners. It is possible that macroeconomic uncertainty presents an additional barrier around supply chain and materials at the moment.

Q198 **Chair:** You both have quite a lot of levers in different ways to develop or change the way development happens. Is your primary function with MMC to encourage it or require it, or both?

Stephen Kinsella: This is a really interesting question. I joined the agency from the private sector, from Barratt Developments, about 20 months ago. When I first joined the agency, there was a perception of, "Let us just make the housebuilders do it and then we will deliver a step change in the take-up of MMC". I was nervous about that because, from the agency's point of view, we have our own land business. We are not the only organisation that sells land, so if we make it too hard, the housebuilders will go and buy land off somebody else and we will not make the change that we are looking to achieve.

My approach has always been to work with people, to talk to them about what is possible on any specific site and to try to push them further along the MMC curve voluntarily. My take on it is you cannot make a housebuilder do anything that they do not want to do unless you make it the law. Unless we make it the law, the idea is to work with organisations to encourage.

Q199 **Chair:** You could say, "Here is the land and you will have it cheaper if you put in MMC".

Stephen Kinsella: What we have been doing is encouraging the use of MMC. Since the back end of 2017, there has been a minimum requirement, when the agency procures a development partner for land of over 50 units, to require a form of MMC. We set up the form of MMC based on a conversation with the bidders who are interested in the site, and we incentivise bidders to go beyond the minimum by awarding extra points in the procurement exercise.

Q200 **Chair:** That sounds a bit like a requirement to me.

Stephen Kinsella: Yes, it does, but there is a minimum requirement and then we incentivise people to go beyond that. We are trying to identify with the developers what is possible on any individual site. Our experience over the last few months is that there is much more interest, appetite and confidence in MMC, and now we are seeing more ambitious proposals from our housebuilders. Maybe 18 months ago, we would see our housebuilders saying, "We will build it masonry and we will use sub-assemblies and components". Now we are seeing housebuilders saying, "We will build the whole site panellised and we will maybe use some sub-assemblies and components, and maybe even some units modular as well". We are seeing an increasing ambition by working with our partners to push them beyond their comfort zone over time.

Q201 **Chair:** If it all goes wrong, is it your fault for requiring it?



Stephen Kinsella: We require that every developer who contracts on one of our sites has a system that has a warranty, that is mortgageable and that is insurable. That is really important to us, because in my view we have a huge responsibility as a Government agency to make sure there are no mistakes on our sites. There is a minimum requirement.

Q202 **Chair:** What about in London? Are you doing the same?

Louise McGough: Our approach is very much around encouraging at this stage. There is specific funding, as set out in the London Housing Strategy, for schemes that are particularly innovative, including those that use MMC. With our strategic partners we have worked into those agreements a commitment to explore the use of MMC as much as possible.

We are currently working to provide resources to the sector. One of the things that we are doing is working with the consultancies Cast and Bryden Wood to fund this digital tool, which will be available free, for anyone to use. We think it will help to encourage the use of MMC. We have also encouraged it through various other programmes, including our broader Affordable Homes Programme. The decision has been not to mandate the use of MMC through our funding to date. Part of that relates to the complexity of mandating something that is quite large, moving and evolving. It also relates to how you measure what MMC actually is and all of those types of considerations.

Q203 **Chair:** Is your encouragement working?

Louise McGough: At the moment we have not systematically recorded construction methods used for any particular scheme that has been funded through the GLA Affordable Homes Programme.

Q204 **Chair:** Why not?

Louise McGough: There was a decision made not to record that level of detail of information for the programme as a whole.

Q205 **Chair:** There is no point in policy if you do not know whether it is working, is there?

Louise McGough: That is a very interesting point, and we are working at the moment to look at how we can explore better monitoring of construction methods for that reason, because we want to track much better what our programme is funding. We know what is funded through the Innovation Fund, which is a particular pot of money I talked about, but for the Affordable Homes Programme overall we are looking at how we can monitor that better.

Q206 **Bob Blackman:** The figures we have in front of us are that London needs 66,000 new homes a year. I was at an event recently where a claim was made about the number of units that have planning permission that have not yet been built. Do you have that figure at your disposal?



Louise McGough: I do not know. That is something I can come back to you with in writing.

Q207 **Bob Blackman:** The suggestion was made that we have at least five years' worth of the number of units for London that have planning permission ready in London, and they are just not being built. I just wonder if any study has been done to look at whether these could be done through modern methods of construction, rather than presumably traditional methods of construction, which are basically just not being built in London.

Louise McGough: I am afraid I cannot provide any further comment on that, but I can explore that and come back to you.

Bob Blackman: Could you provide us with a note on that?

Chair: That would be very helpful, yes.

Bob Blackman: We would like that on the record for our purposes.

Q208 **Andrew Lewer:** There is evidence that public bodies such as Homes England and GLA should aggregate demand for homes, providing some certainty in the market, but other people have been more than a little cautious about that approach. Do you think aggregation is helpful, or are there other less prescriptive methods of encouraging this that you would rather adopt?

Louise McGough: We are aware that aggregation—and, as part of that, standardisation—is one of the key factors that is going to be able to drive greater adoption of MMC, particularly for small and medium-sized housing associations, who are our key partners. Working together to procure a solution at scale might well be a way to get over that. Again, it is possible there could be a role for public bodies to achieve this, but we have heard anecdotally from partners that there have been attempts to do this and difficulties in achieving it, around individual organisations wanting to retain controls over the design of their development, developments in different areas requiring different solutions, risk-sharing and sometimes a lack of appetite for working together. It is certainly not something that we have done, in terms of mandating an aggregation approach.

It is an interesting area. I do not know if you have heard from the National Housing Federation about their pilot scheme called Building Better. They are looking to build aggregation among small and medium-sized housing associations, so it might be worth speaking to them about the progress that has been made. It is a pilot programme at this stage, in early days, but that would be an interesting project to keep an eye on in terms of that aggregation piece.

Q209 **Andrew Lewer:** Our concern is that we are trying to encourage SMEs because of an overconcentration of a limited number of players in the housing construction market, and that, as with any area of business, if you have too complex a set of rules that require different divisions or



particular provision of certain housing, you are in danger of only the people who have scale and dominance in the market being able to comply with it all. Do you recognise that as a legitimate concern?

Louise McGough: Yes, we do recognise that. That is something that gets brought back to us from our partners, and it is an issue around cost as well. We know that one of the benefits of MMC is around cost efficiencies, but procuring at very low scale does not quite get you there. Yes, we are aware that that is an issue.

Stephen Kinsella: We have not taken the view that the agency's role is to force an aggregation situation. What we are trying to do more is to stimulate demand and give a long-term certainty that, if you work on the agency's land or via the funding programmes that we have, there is a requirement to deliver MMC. We are looking at the organisations we work with—the housing associations, the developers or our local authority partners—to come together to find those solutions. You can see lots of housing associations now coming together as a consequence of the strategic partnerships that we have funded. They have long-term certainty around the grant and they know that they now need to come together to find building solutions for those. They are coming together now with procurement solutions, and they are working together. That is a good example of how stimulating demand gets people to come together, rather than the Government coming together and procuring for them.

Q210 **Matt Western:** I have a question for Mr Kinsella about finance and how SMEs in this sector struggle to source finance. I understand that, back in October 2016, the Government set up this thing called the Home Building Fund to help address this. Is that helping, and do you happen to know what proportion of the fund is being used to support MMC developments for SMEs?

Stephen Kinsella: The Home Building Fund is £4.5 billion, and it funds development finance for housebuilding and funding for infrastructure. £2.5 billion of the £4.5 billion is for housebuilding targeted at SMEs. We really have to be in this space, because it is more difficult for SMEs to access development finance from banks. We do see innovation coming from small builders with MMC solutions of their own, in terms of factories. We have had 27 inquiries from developers who are looking for funding directly into their MMC manufacturing facilities, as well as the usual route, which is to fund development.

Q211 **Matt Western:** That is very good. They are setting up their own factories.

Stephen Kinsella: Yes.

Q212 **Matt Western:** That is interesting. Could you just broaden this? What else are you doing at the GLA and Homes England to help the SME builders? You want to increase the use of MMC to access finance for other methods.



Stephen Kinsella: The first thing is the Home Building Fund. On top of the Home Building Fund, we have a number of other partnerships—including one with Barclays and one with Lloyds—where we are extending the agency's funds, topped up with these larger funders to create some more capacity in the market. That is clearly the biggest opportunity for development finance.

The other opportunity is around funding into manufacturing facilities, as I have already mentioned. We have not done one of these yet, but there are some active conversations around whether this is a possibility for Homes England. Since some of these propositions are nascent—emerging technologies without a proven track record—they may need some help from the Government to establish themselves.

Louise McGough: We have no specific MMC programme aimed at SME builders. As I said, the Innovation Fund provides funding to those who come to us with innovative proposals around delivery of new homes using MMC. We have a programme called Small Sites, Small Builders. That is available to all smaller builders and is about linking up opportunities for land. That is regardless of the construction methods, so we do not have a particular programme or facility for small builders in regard to MMC.

Q213 **Matt Western:** I was reading about pocket homes or something.

Stephen Kinsella: Pocket Living.

Louise McGough: Pocket Living has been funded through the GLA Innovation Fund—it is either to have delivered or be on track for 318 homes through various funding contracts.

Stephen Kinsella: We have also funded Pocket Living through the Home Building Fund.

Q214 **Matt Western:** In his oral evidence to the Lords Science and Technology Committee, Jamie Ratcliff of the GLA suggested a standard set of repeatable designs would help to reduce the overheads for MMC development. Is that something you think would help SME builders move into the sector, and who do you think should be setting the criteria for these designs?

Louise McGough: Again, that is part of the lack of standardisation issue that we hear so much about. A lack of standardised designs means that you are going to different factories or manufacturers with very different specifications. We know that is one of the key barriers to widespread adoption.

We know anecdotally that certain architects and manufacturers are producing some of those repeatable designs and pattern books. At the moment it is certainly not felt that the GLA would add much value by issuing something so specific as a repeatable pattern book, because of some of the issues that I was raising earlier around different



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organisations still wanting to retain a lot of control over their design process, and the look and feel of their own schemes.

In our view, the design tool that we have commissioned with Cast and Bryden Wood, which I can go into a bit more detail around, will indirectly improve standardisation by guiding the user to a more standardised approach to design. The inbuilt logic of the tool guides you to more standard room types across a particular scheme and will show you how partitions are compatible or not with different manufacturing requirements, et cetera. We have funded this tool as a more indirect approach of achieving that aim of more repeatable design to help build that scale and standardisation.

Q215 **Matt Western:** And improve quality.

Louise McGough: Yes.

Q216 **Matt Western:** Do you have anything to add?

Stephen Kinsella: It is a really interesting question, is it not? One of the major risks for a housebuilder with an MMC supplier is a failure of the supplier partway through a development and the inability to replace that supplier with another party, because the components are different. This is a real issue that is holding us back. There are different approaches taking place in other countries, such as in the Netherlands, where components are more standardised. It ought to be something we should look at in this country, but we are so far away from that at the moment. It is something the GLA has considered, but there is huge risk from the public sector's point of view in taking responsibility for a system like that.

Q217 **Matt Western:** Very good. I just have a final question to Mr Kinsella. Can you explain how the Accelerated Construction Programme and the Single Land Programme are helping SME builders to access land and deliver homes using MMC? Is the Small Sites Fund working and can you give any specific examples of where it has worked?

Stephen Kinsella: Let us start off with the Accelerated Construction programme. The Accelerated Construction Programme is in two parts. The first part is an innovative pilot project on the agency's own land. We have seven sites, which will all start in the next 12 months, and then we will build out under an innovative contract, where we are requiring the sites to build out more quickly and there is a risk share in relation to the deal between the agency and the developer. All of those sites, because they are building out more quickly, have some requirements around MMC to make the MMC more justifiable. We will see how they go in the next 12 months, but they are all moving forward successfully.

Q218 **Matt Western:** What sorts of volumes are they?

Stephen Kinsella: It is seven sites. I would have to come back with the exact number. I would probably be guessing off the top of my head. The Local Authority Accelerated Construction Programme, which is the other



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part of it, is a £450 million grant programme; £356 million of that programme is grant funding issued by Homes England, and the rest is issued by the GLA for its own work.

We issue grants to local authorities directly to unlock sites in their ownership. We are expecting to sign up to 200 grant agreements by March next year to unlock sites. These are typically brownfield sites, which require some help, so that means enabling works, demolition and remediation, to get them moving. As a consequence, when a local authority draws down the grant, they commit to delivering the site using MMC. This is a great opportunity for us to stimulate demand on local authority land using funding from Homes England. It is moving forward successfully. We have been making a number of announcements over the last couple of months.

The Single Land Programme is the agency's owned land assets. We own land for circa 60,000 homes. It is land we have acquired in recent years from the private sector or from other Government Departments, or it is land that we have had from our legacy land holdings—land that was not developed in the new towns or land that came into the agency's ownership when the regional development agencies were closed down and so on.

We are bringing that land through the system, and on every single site we require a form of MMC. That is going quite well. Now we have 40 sites with an obligation to build a form of MMC in contract. Another 73 sites will get into contract in this next 12 months and, overall, that will deliver in the region of 15,000 homes, with an obligation to build according to one form of MMC or another. It is the full range we spoke about earlier on, which is from sub-assemblies and components to fully modular, and everything in between. We are trying to support all technologies with the support of our developer partners. We are supporting them with what they would like to do, but are also pushing them further beyond the curve.

The Small Sites Fund is still emerging. We will deliver the Small Sites Fund programme over the coming years. We have not signed any grant agreements yet. The business case was only agreed in the last few months. We are now working with our local authority partners and other Government Departments to identify sites that are in Government ownership or local authority ownership that we can unlock and deliver housing. The MMC requirements will sit within the grant agreements for those as well.

Q219 Chair: There are two contradictory things you said there, are there not? It would be very good if we could reduce the number of different types of MMC, so we deal with the supply chain problem; if one supplier goes bust, somebody else can step in. Then you just said that you are encouraging MMC developments of all different types. Why do you not have a view about what types you should be encouraging?



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Stephen Kinsella: Our view is that we are agnostic on systems.

Q220 **Chair:** Why? You just said it would be better to have fewer systems.

Stephen Kinsella: I am talking about the components in systems. We spoke about modular construction. We have modules, and if a supplier delivers a particular module to site, it has a certain proportion and the way it is fixed to other modules is in a particular way based on that supplier. If there is a problem with that modular supplier, it is difficult for another modular supplier to come in and continue a construction.

The idea is that, if we get some standardisation in the way the modules are proportioned and fixed together, we can work across different modular suppliers in the event of a difficulty with one. That does not mean that we only have one form of construction. It just means that how they are put together is more standard.

Q221 **Chair:** Have you got a policy document that you would let us have that explains that?

Stephen Kinsella: There is no policy document on this. This is a live issue that the GLA and others in the industry have been considering. It is an issue that was talked about in Mark Farmer's MHCLG working group, in terms of how we can create some uniformity between different suppliers. That does not mean that everyone has to do the same.

Q222 **Bob Blackman:** Just moving onto affordable homes and social housing, clearly the potential cost reduction in modern methods of construction will lend itself particularly to getting cheaper, more affordable housing of different types. What is Homes England doing to ensure that not only do we use modern methods of construction, but the price that we end up with is affordable, either to rent or to buy?

Stephen Kinsella: Homes England has a huge affordable housing programme that has been run by the agency going back 30-odd years, through its predecessor bodies, the Homes and Communities Agency and back to the Housing Corporation. Recently, we have been trying to look at how we can create a step up in supply via our housing association partners, but also a step up in quality.

Q223 **Bob Blackman:** Can you give some numbers, when you talk about a step up in supply?

Stephen Kinsella: We have agreed 23 strategic housing partnerships, which will deliver 40,000 homes via a grant package of £1.7 billion. The difference between this grant package and the package we have had previously is that it creates long-term certainty of grant funding for the housing association partners. That allows them to invest in longer-term propositions and buy larger sites, knowing that their grants will be there into the long term, rather than just on a short-term basis, as it has been previously.

Q224 **Bob Blackman:** Is that then reflected in the rents that the housing



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association is charging?

Stephen Kinsella: The rents are governed by social housing and affordable rent requirements locally, so we do not dictate the rents. They are governed elsewhere.

Q225 **Bob Blackman:** Have you seen any trends in social housing rents?

Stephen Kinsella: Government controls social housing rents.

Q226 **Bob Blackman:** To a certain extent, yes, but they are still set by housing associations.

Stephen Kinsella: If it is social rent, we require them to apply the social rent that is for that property locally and the same for affordable rent. We do not set the rents. We set the grants and then we expect the housing associations to comply with the rent requirements. The shared ownership housing is based on the value of that house in that local market.

Q227 **Bob Blackman:** The value of that house or home is driven by the cost of building it, the cost of the land and other factors, so if you reduce the cost of building you would expect to see the cost of rent reduce.

Stephen Kinsella: You would, yes.

Q228 **Bob Blackman:** What about the GLA? What is going on there, in terms of encouraging modern methods of construction for housing associations to bring to market the affordable homes that we need in London?

Louise McGough: Our work in terms of delivering the Affordable Homes Programme for London is all aimed at delivering more genuinely affordable homes, so everything that we do around MMC is quite targeted at that sector. Again, one of the reasons we wanted to make the free to use and accessible digital tool that we have commissioned Cast and Bryden Wood to produce was to keep that open to all partners, housing associations and small and medium councils alike. Echoing what my colleague has said, we have not tracked, monitored or looked at the issue of whether rental prices are different where MMC has been used.

Q229 **Bob Blackman:** How many units are being created in London using modern methods of construction by housing associations?

Louise McGough: Again, that is not a figure that we have. We are looking at getting better figures on this. It is something that our partners at the G15 are working on as well, to get more precise figures. We have not routinely tracked the method of construction.

Q230 **Bob Blackman:** Do you have figures around the number of housing units provided in London in the last year or the last two years? Presumably we have.

Louise McGough: Yes, we have the figures for this final year. I believe we have hit and exceeded the targets for this year. I can come back to



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you with precise figures. I would not want to give anything incorrect at this stage.

- Q231 **Bob Blackman:** Understanding what is going on to encourage modern methods of construction in the housing association market in London would be very helpful, given the other questions. I completely understand you have not got the figures to hand, but it would be very useful to know what they are.

In terms of partnerships that Homes England has with housing associations, you have mentioned the grant regime. Is there anything else that you are doing to encourage housing associations to take on this form of partnership?

Stephen Kinsella: We try to use our influence with all of our partners, thinking about our needs for today as an industry and then where we are going to go forward. You can see among some of the really forward-thinking housing associations how they are really embracing modern methods of construction. We have toured housing associations, for example. Swan Housing has a CLT factory of its own. Accord Housing has a timber frame factory of its own. The Accord factory is really successful. They have just opened a second factory about six months ago.

You can see how L&Q, one of the largest housing associations, is stepping up and forming alliances with organisations such as Stewart Milne, which has a timber frame factory. They are trying to step up into an MMC space to deliver the increased output that they have. Our opportunity is to work with them via our grant programmes, but also to have conversations with them about how we can change the market. There is a lot of forward-thinking work among housing associations. That said, there are some conservative housing associations as well. Some of them have had difficulties with MMC in the past and they are not a united voice, certainly around modern methods, in my view.

- Q232 **Bob Blackman:** Louise, Homes England has mentioned their policy on sites and the requirement for above a certain number of units to use modern methods of construction. We have a number of major sites in London. Is the GLA insisting on modern methods of construction on those sites?

Louise McGough: No. As mentioned earlier, we do not have an approach that involves mandating a level, an amount or a type of construction method. It was built into our agreements with strategic partners that they commit to exploring the use of MMC, but we do not have a particular land disposal programme as Homes England does. In part, we have much less land to dispose of, so it is a slightly different picture. We are looking very closely at Homes England's approach around land, but also specifically at their encouragement through grant rates around MMC. We are at a position where we are keen to hear back from the industry and from partners around what the GLA's role should and could be in encouraging this, listening and wanting to work towards developing this.



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Q233 **Bob Blackman:** Can you just explain, for the benefit of the Committee, the difference between what the GLA can do and what local councils in London can do? That would be helpful for the Committee to understand.

Louise McGough: Do you mean in terms of mandating?

Bob Blackman: In terms of mandating and the housing policy.

Louise McGough: I could probably come back to you with a clearer picture. The role of the GLA across London is to administer the Affordable Homes Programme on behalf of the whole of London.

Q234 **Bob Blackman:** Who sets the policies for London in terms of housing?

Louise McGough: The GLA and the Mayor set the London Plan, which is currently in draft form and being discussed, and there is a London Housing Strategy, which sets the strategic direction for housing.

Q235 **Bob Blackman:** There is no inclusion within the London Plan of modern methods of construction being mandated for sites.

Louise McGough: Not mandated, no, but certain elements of the London Plan, for instance, mandate higher environmental outcomes than national policy does.

Q236 **Bob Blackman:** They certainly encourage higher density, which is a very controversial subject in its own right.

Louise McGough: It is.

Q237 **Chair:** Can we just go on to talk about what may be required? The Mayor has committed to making London a zero-carbon city by 2050. Are the homes built in London going to help contribute to that? Would modern methods of construction aid in that process?

Louise McGough: Yes, we certainly think that a move towards greater adoption of MMC would help towards that. As I was mentioning earlier, the London Plan has very ambitious environmental targets, which require developers to go beyond national regulations at this stage, so MMC would need to comply with those regulations as well. There is not a set of specific regulations within the London Plan aimed at MMC.

Another area that we are looking to embed is introducing whole-lifecycle carbon assessments. That includes what is called embodied carbon from construction, but also transport and construction methods. We would expect MMC construction to have a lower whole-lifecycle carbon impact than traditional building would. We hope that the more stringent regulations in the London Plan will be a way of encouraging the lower outcomes and, hopefully, MMC through that.

Stephen Kinsella: Buildings built with modern methods of construction, panellised or modular buildings, or even hybrid systems tend to be more energy efficient. There is less chance of leaky buildings, so it is a good thing to do from an energy efficiency point of view, and that is a spin-off



benefit for us at Homes England. We are keen to encourage energy efficient buildings, so MMC is a good solution for us.

Q238 **Chair:** Apart from the various encouragements and requirements you have explained to us, building regulations are, in the end, what you fall back on. Should they be tougher? Should they be really pushing harder on energy performance targets, which would move developers in the direction of MMC for the reason you have just given?

Stephen Kinsella: It is an interesting question. We have made a huge step forward in the energy efficiency of buildings in recent years and we were planning to be on a journey to zero carbon. The Government decided that was not possible and that the cost was too high, and a decision was taken to pause. There is some appetite within the industry now to kick on and increase the energy efficiency of buildings as we understand systems better, but there will be a cost and there will be a delivery risk to this, which we will need to balance, and that is an issue for policymakers to decide on; that is not for Homes England.

Q239 **Chair:** If the signposts were put up that that is the direction we are going to move into, do you think the industry would be interested in moving quicker to MMC—if it saw us moving in that direction?

Stephen Kinsella: Yes. The industry's view is that as long as it is practical, deliverable and cost efficient, they will do it.

Q240 **Chair:** Are there more comments from London? In a way, you have more ability to do your own thing on these issues, have you not?

Louise McGough: Yes, through the London Plan, as I explained. The Government also need to update national building regulations to reflect current carbon emissions. I have been told that current building regulations nationally use 2012 carbon emission factors for electricity, and that means they do not reflect the current decarbonisation of the electricity grid. That means we are having new developments approved that are not saving the carbon that they claim to. That is something that the Mayor has called for, and in London we are encouraging developers to use that updated emissions factor, even though national regulation has not yet caught up to that updated level.

Q241 **Andrew Lewer:** We talked earlier on about standards and standardisation. In the MHCLG group that Mark Farmer has chaired, which we have already referred to several times, one of the things he was doing was trying to provide some sort of quality assurance on MMC in particular. I wondered whether Homes England and the GLA had had some direct engagement with that working group. What do you think about this idea of an MMC scheme, so that you have some sort of set of standards? Do you think that is helpful to your own work, but also to banks, lenders and insurers?

Louise McGough: The GLA has not been involved in the working group, but certainly we think it is a positive move to try to reduce some of that



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complexity and introduce a more co-ordinated approach to tackling those barriers that we know exist around insurance, warranty, et cetera. It is very positive that it is industry-led as well, and if a single product that carries more weight can create more confidence in the sector, it is a very positive move.

Stephen Kinsella: We have participated in the working group; especially, we have been influential on the agreed definitions. We agree that a system of common assurance across the warranty providers will build confidence, and confidence does need to be built. We know that lenders and insurers are keen to create a situation where they understand systems better and then there is a badge, if you like, sponsored by the industry and potentially by Government, which recognises a common approach to assurance. We know it is really complex for developers and manufacturers to get through a system of assurance where different warranty providers take a different approach, so overall a common approach is the way forward, for sure.

Q242 **Andrew Lewer:** Given you feel that would help provide confidence and, therefore, potentially more investment, are there any other areas the working group or you feel are worth exploring further, to also increase private sector investment into this?

Stephen Kinsella: The question of skills is clearly an issue. There is an industry that is very comfortable building traditional, and there is an issue for the housebuilders who want to move from doing things traditionally towards MMC, in terms of being able to take your workforce through. Often, in my view, it is about the site management. If you go on many sites, the site managers are traditional by background. We need to bring in a new cohort of young site managers through, who are more capable of working in a digital age with modern methods. The question of skills is a gap that needs to be addressed. It was not really in the remit of the working group, but that is something that probably needs moving forward.

Louise McGough: On the issue of encouraging investors specifically, we have no specific feedback, but the general point is that looking to address all the barriers that we mentioned earlier in the session will help to improve that general environment for investment and will build confidence.

Q243 **Bob Blackman:** Moving on to skills and the capability of people to provide the supply chain, Mr Kinsella, you were talking about the number of people in the industry who are going to retire in the next 10 to 15 years, and the lack of people coming through. The GLA published a paper, the Homes for Londoners Construction Skills sub-group report, which sounds like a real mouthful. That talked about a comprehensive change to the approach for skills training. Where has that reached now, in terms of discussion with Government?



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Louise McGough: The Homes for Londoners Construction Skills sub-group report, which, as you say, is a bit of a mouthful, was published in 2017. The report identified a number of areas for action around construction skills for the GLA, and progress is being made on most of those. There were four key elements. The first was the Mayor's Construction Academy, which has been set up. I can provide more detail on that if you would like.

Q244 **Bob Blackman:** How many people are currently in the academy?

Louise McGough: I would need to come back to you with specific figures on who is coming through and exactly what stage we are at. It is still fairly early days, so I can talk about ambitions and the setup of the scheme. There are policy papers we can provide with a lot more detail on that.

Q245 **Bob Blackman:** It would be useful to know how many people have applied, how many people are on courses, how many people have progressed and whether it has been a success or not.

Louise McGough: We are not at that stage yet. The seven construction hubs have just been set up, for instance, and TfL is running one. We can provide more information and then ongoing updates, if that is useful, in terms of progress.

The second element referenced in the report was a campaigning element, focused on getting people more interested in the construction sector as a whole. That, as I understand it, is a work in progress.

There was also an element around a local labour initiative and looking at how we can get better results out of local labour requirements through section 106. Again, that is a piece of work that is currently underway but has not concluded. The report also identified the need to understand the future demand for skills in the construction sector, of which MMC is a big part. That is also underway. All those actions have been started, but nothing has concluded. I cannot provide any concrete figures or detail.

Q246 **Bob Blackman:** Mr Kinsella, Homes England is looking at promoting apprenticeships. How is that going?

Stephen Kinsella: This work around skills is emerging work for Homes England. We launched our strategic plan in November, where we identified the new mission and objectives of the agency, and one of the objectives we set out was improving construction productivity. That was not previously an objective of the Homes and Communities Agency, so this is now emerging new work for us. We are collaborating across Government with the Department for Education and with BEIS, and we are looking closely at what improving construction productivity will look like in terms of an action plan for Homes England.

Clearly, anchoring that around increasing apprenticeships is the right thing to do. We will need to think about including requirements for



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apprenticeships as a consequence of working with Homes England, whether that is on our land or with our funding. It is not currently a requirement, but it is definitely part of our agenda to work with all parts of Government, and local government as well, to try to get more people into construction, which is a key objective for us.

Q247 **Bob Blackman:** At the moment what I am hearing is that you have not got people signed up to taking apprentices on sites under control of Homes England.

Stephen Kinsella: That is right. That is not a current requirement.

Q248 **Bob Blackman:** You do not know how many apprentices companies are using already, because they will look at their long-term requirements anyway.

Stephen Kinsella: Several years ago the requirements for apprenticeships were taken out of the contracts, so it was before my time. It is something we need to look at again but it is not a requirement and, since it is not a requirement, we do not record it.

Q249 **Bob Blackman:** That is fair enough. The housing developers talk about the underdeveloped supply chain being one of the key constraints on them using MMC. How much of a problem is that for Homes England, because if you are not getting the supply, it is very difficult to encourage the development?

Stephen Kinsella: This comes back to the conversation that we have with our housebuilder partners. There is no point in us requiring standards up here if the housebuilders cannot or will not deliver. The idea is that we get ourselves ahead of the curve of the housebuilders and try to push them on in a supportive environment. That support means that we will have a contractual obligation that they are comfortable with. It means that the land deal accepts that there is a requirement for MMC, so that means we may take less for the land than a private landowner might take. We try to be in a situation where we can encourage our developer partners in a supportive place and push them on without requiring them to do something that ultimately they do not want to do or they would find too risky.

Over time, that is meaning that we are getting more housebuilders interested in MMC as they get more confident. We are also interested in site trials. We have been talking to our housebuilders about using our sites—sites which are already in production or our new sites—to look at trials. It is not a requirement to deliver innovative technology over a whole site, but if we can deliver it on a small number of plots and then potentially use that learning to roll that over further sites, that is a good approach.

We are launching an initiative at around seven sites to deliver a much higher level of MMC over the next few years. We have started to market the first site and there will be a formal launch of this coming. We have



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been looking at how we can encourage MMC using a different type of approach, where we really prioritise MMC and try to look at using it as a R&D project. We have a research and development project over the sites working with our housebuilders and that is a really important element of us really trying to push on as well.

Q250 Bob Blackman: In terms of modular-style housing, I guess any factories and suchlike would be outside the GLA area, because building them within the GLA area would be quite expensive. Is the GLA doing anything to encourage the supply chain—probably outside London, I suspect?

Louise McGough: From what I hear, there are some factories being considered on land within the GLA's remit, but conversations around factories is not something we have really been involved with much to date. Again, our main lever is the Affordable Homes Programme, so we are mainly talking to developers, rather than manufacturers.

We have recently signed a land facility with Swan Housing, which, as you have heard, has set up its own factory. Our work around MMC and supporting the supply chain, again, has been more through that encouraging route, in terms of providing support for developers. We hope that, when this digital tool is launched, it will help to create more standardisation in the sector, and will mean much more uptake through making design feasibility and looking at a site much easier. We hope that will indirectly flow through the supply chain. We have not done anything directly with the supply chain.

Q251 Bob Blackman: Finally from me, given what Homes England is doing—they clearly have a number of sites where lessons are being learned—what interaction is the GLA having with Homes England to look at the lessons learned elsewhere to say, "This has worked. That has not worked so well. Perhaps we can take this and put this in London"? Is there a conversation going on?

Louise McGough: Yes, there is. GLA officers and Homes England colleagues meet regularly. As I said, we are monitoring very closely the approach, especially around the incentives and encouragement provided through grant funding, reflecting the fact that the impact of any efforts on GLA-owned land will be lesser because we have smaller land holdings. We are very keen to see how that progresses. As I said, we do not think we have cracked the problem and have every solution down pat, so we are keen to keep hearing from partners in the industry as well, in terms of what the GLA can most helpfully do to support this.

Chair: Thank you both very much for coming to give evidence to the Committee this afternoon. That is appreciated. Thank you.