



# HOUSE OF LORDS

Built Environment Committee  
House of Lords  
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Secretary of State for Levelling Up, Housing and Communities  
2 Marsham Street, London, SW1P 4DF

26 January 2024

Dear Michael,

## **Modern methods of construction in housing**

I write following the Built Environment Committee's brief inquiry into modern methods of construction.

Please find attached the committee's views on the topic with conclusions and recommendations, which draw on the evidence we received.

I would be grateful if you could respond to the committee's conclusions and recommendations within six weeks.

Yours sincerely,

Lord Moylan  
Chair, Built Environment Committee

CC: Baroness Neville-Rolfe,  
Minister of State (Cabinet Office)

## MODERN METHODS OF CONSTRUCTION IN HOUSING

1. To increase housing supply and meet its 300,000 homes a year target, the Government has pointed to modern methods of construction (MMC)<sup>1</sup> as a potential solution to addressing various issues, including labour supply, in the housebuilding sector.<sup>2</sup> MMC is a collective term used to describe a wide range of non-traditional building systems broadly grouped into seven ‘categories’.<sup>3</sup> Categories span from 3D units fully fitted out off-site (Category 1) through to innovation in the usual site-based labour approach such as workforce robotics (Categories 6 and 7).
2. Homes England stated in its 2023–28 *Strategic Plan* that “in many areas, the sector is not working efficiently on its own to support the government’s objectives”<sup>4</sup> and that MMC “has the potential to revolutionise the sector”, providing technologies and techniques that can help “to meet the challenges facing the market”.<sup>5</sup> Specifically, it indicated that MMC “has the capacity to drive greater efficiency and productivity, reduce carbon emissions, decrease disruption caused by construction, and increase consumer choice.”<sup>6</sup> In the 2017 Housing White Paper, *Fixing our broken housing market*, the Government made several commitments to support MMC, including stimulating the growth of the sector.<sup>7</sup>
3. Our short inquiry was established following the collapse and closure of several Category 1 MMC companies during 2022 and 2023. Considering the consensus that volumetric housing will be a vital component to delivering the homes this country needs, we wanted to explore the potential reasons for these failures, especially considering the support provided by the Government to the industry. We did not undertake a comprehensive review of all MMC categories across all sectors and we note that MMC has been commercially successful in other sectors and blocks of flats, as illustrated by build to rent and student housing.<sup>8</sup>
4. Witnesses attributed the collapse of Ilke Homes, House by Urban Splash and the closure of L&G’s modular housing arm to individual business decisions, insufficient order books, and the wider economic challenges following Covid-19 together with the increases in

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<sup>1</sup> Ministry of Housing, Communities and Local Government, *Modern Methods of Construction working group: developing a definition framework* (29 March 2019): <https://www.gov.uk/government/publications/modern-methods-of-construction-working-group-developing-a-definition-framework> [accessed 12 January 2024]

<sup>2</sup> Written evidence from HM Government ([MMC0024](#))

<sup>3</sup> Ministry of Housing, Communities and Local Government, *Modern Methods of Construction working group: developing a definition framework*

<sup>4</sup> Homes England’s overall [objectives](#) are “to deliver (1) more land reused and made available for regeneration; (2) key enabling infrastructure in place to unlock development; (3) local places effectively supported to deliver on their regeneration ambitions; and (4) mixed-use places that create value and benefit local communities”.

<sup>5</sup> Homes England, *Strategic Plan 2023–28* (16 May 2023): [HE\\_Brand\\_Strategic\\_Plan\\_ARTWORK\\_HR\\_single\\_pages\\_DIGITAL\\_LR.indd \(publishing.service.gov.uk\)](#) [accessed 12 January 2024]

<sup>6</sup> *Ibid.*

<sup>7</sup> Ministry of Housing, Communities and Local Government, *Fixing our broken housing market*, Cm 9352, February 2017:

[https://assets.publishing.service.gov.uk/media/5a7f355f40f0b6230268e1a5/Fixing\\_our\\_broken\\_housing\\_market\\_-\\_print\\_ready\\_version.pdf](https://assets.publishing.service.gov.uk/media/5a7f355f40f0b6230268e1a5/Fixing_our_broken_housing_market_-_print_ready_version.pdf)

<sup>8</sup> Written evidence from Modular and Portable Building Association ([MMC0025](#)) and Reds 10 ([MMC0023](#)), [Q47](#) (Andrew Wolstenholme, Christy Hayes), [Q49](#) (David Jones)

interest rates since the autumn of 2022.<sup>9</sup> The chief executive of Modulous, which gave notice of intent to enter into administration in January 2023, noted the challenges in producing relatively quick returns on investment for venture capitalist firms funding MMC businesses, stating that “venture markets want to move very fast and the UK construction market doesn’t”.<sup>10</sup> However, throughout the course of the inquiry it has become increasingly difficult to understand why Category I housing has failed to fulfil its potential. As a result, this inquiry has sought to place these business failures in context and consider the Government’s progress towards delivering its objectives for MMC. We note that undertaking this inquiry has been challenging owing to a lack of a comprehensive dataset on MMC usage.

5. This letter initially assesses the overarching strategy of the Government and its approach to monitoring success. Subsequently we have considered each of the five pillars of the Government’s approach in turn and finally we make brief comments on the matter of skills in the construction sector.

### The cost of volumetric housing

6. As a preliminary, however, we have been told by housing associations, developers and the Royal Institute of Chartered Surveyors that Category I housing is, or could be, more expensive than homes built using traditional construction methods, hence either needing public investment to offset the added cost or simply taking the decision to not use MMC.<sup>11</sup> With the same level of certainty we heard that MMC homes are cheaper.<sup>12</sup> These two statements cannot both be true.
7. We find this baffling. A production method which Homes England assesses as capable of driving “greater efficiency and productivity”,<sup>13</sup> which depends less on an expensively skilled and now ageing workforce and which, through automation, can deploy fewer workers ought to be generating products at a lower unit cost than traditional rivals without those advantages.
8. The explanation we have been offered is that factory-based systems require significant up-front investment, and the cost of MMC homes will only come down after the industry reaches economies of scale.<sup>14</sup> We also heard that the offsite production of MMC homes and components faces unique challenges not experienced in other factory-based sectors which are discussed further below.<sup>15</sup> We also received evidence that MMC homes are

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<sup>9</sup> [Q 2](#) (Carl Leaver); [Q 22](#), [Q 25](#) (Jonatan Pinkse); [Q 26](#) (Dr Suzanne Peters); written evidence from Offsite Alliance, ([MMC0014](#)) and HM Government ([MMC0024](#))

<sup>10</sup> ‘It’s been a torrid time’: Modulous boss Chris Bone on the offsite housing firm’s collapse’, *Housing Today*, (10 January 2024): <https://www.housingtoday.co.uk/news/its-been-a-torrid-time-modulous-boss-chris-bone-on-the-offsite-housing-firms-collapse/5127140.article>

<sup>11</sup> Written evidence from National Housing Federation and Building Better ([MMC0015](#)), Platform Housing Group ([MMC0001](#)), VIVID ([MMC0021](#)), MD Group ([MMC0011](#)), Barratt Developments ([MMC0002](#)), Royal Institution of Chartered Surveyors ([MMC0004](#)) and Akerlof Ltd ([MMC0008](#)); [Q 5](#) (Michael Stirrop)

<sup>12</sup> Letter from Carl Leaver Chairman of TopHat Enterprises Limited to House of Lords Built Environment Committee (15 January 2024): [committees.parliament.uk/publications/42853/documents/213006/default/](https://committees.parliament.uk/publications/42853/documents/213006/default/)

<sup>13</sup> Homes England, *Strategic Plan 2023–28*

<sup>14</sup> Written evidence from Make UK Modular ([MMC0019](#)) and HM Government ([MMC0024](#))

<sup>15</sup> Written evidence from Make UK Modular ([MMC0019](#)), Lighthouse ([MMC0018](#)), Corehaus ([MMC0022](#)), Offsite Alliance ([MMC0014](#)), Royal Institute of British Architects ([MMC0007](#)) and BuildOffSite ([MMC0016](#))

built more sustainably and to a higher energy efficiency standard,<sup>16</sup> which provides potential energy cost savings for residents.<sup>17</sup>

9. **What is the Government’s understanding of the costs of MMC? Is using MMC more expensive than traditional construction for developers, and if so, why is the Government using it? If the Government expects the sector to reach economies of scale and the cost to come down, for how long will public money have to be invested?**

## **Government objectives for MMC**

10. The Government and Homes England have set out various objectives in relation to MMC and housebuilding. The Government considers supporting MMC a priority and informed us it is committed to focusing on removing barriers to growth of the sector and mandating greater use of MMC across the Department for Levelling Up, Housing and Communities’ (DLUHC) programmes.<sup>18</sup> DLUHC and Homes England have had a joint strategy on MMC since 2021, which they call the “Five-S” Strategy:<sup>19</sup> scaling up, standardisation, safety and assurance, soft levers and stimulating the market. We consider each of these objectives in turn.
11. The “Five-S Strategy” is only available in the Government’s written evidence to this committee and there are no specific targets. Homes England told us that they cannot publish further details because it is only for internal use and “it is multiple documents. It is not a single thing. It is a strategy that has continued to be updated”.<sup>20</sup> Lee Rowley MP, the Minister of State for Housing, acknowledged, “I think it is reasonable of the committee to say that the Government should have a clear statement of their intent”.<sup>21</sup>
12. **Providing information on its intentions in a piecemeal way, or indeed not at all, does not give the necessary clarity to the housing sector. We have limited confidence that a coherent plan to encourage the use of MMC is in place and, owing to the absence of its publication, have found it challenging to scrutinise the Government’s activity and spending. Given its own admittance that MMC is a central requirement to deliver on the Government’s housing ambitions, and the amount of money it is investing in this sector, this position is very disappointing.**
13. **The Government should publish its full strategy for MMC now or, if it requires updating, by no later than the end of March 2024.**

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<sup>16</sup> Written evidence from National Housing Federation and Building Better ([MMC0015](#)), Homes for the North ([MMC0017](#)), Platform Housing ([MMC0001](#)), Association of British Insurers ([MMC0010](#)), Royal Institute of British Architects ([MMC0007](#)), Make UK Modular ([MMC0019](#)), Barratt Developments ([MMC0002](#)), Beattie Passive ([MMC0005](#)), Chartered Institute of Housing ([MMC0003](#)), Ottersbrook Consulting Ltd ([MMC0013](#))

<sup>17</sup> Written evidence from National Housing Federation and Building Better ([MMC0015](#)), Royal Institute of British Architects ([MMC0007](#)), Chartered Institute of Housing ([MMC0003](#)), Make UK Modular ([MMC0019](#))

<sup>18</sup> Written evidence from HM Government ([MMC0024](#))

<sup>19</sup> *Ibid.*

<sup>20</sup> [Q 93](#) (Edward Jezeph)

<sup>21</sup> [Q 93](#) (Lee Rowley MP)

## Measuring success

14. At a strategy level, the Minister for Housing informed us that the percentages of MMC delivered through the Affordable Homes Programme is the specific measure of success for the Government's MMC work.<sup>22</sup> Edward Jezeph, Senior Manager at Homes England, broadened this to the outputs across all Homes England programmes.<sup>23</sup> None of this information has been published. Where possible we have provided our own analysis of the Government's progress against its specific objectives throughout this letter but, owing to the absence of clear strategy or reporting from the Government, this has been difficult.
15. As justification for not publishing its key performance indicators for MMC, Homes England stated in its 2022–23 annual report, "our ambition to measure the extent and type of MMC used across our portfolio has, however, evolved as the sector has developed at pace."<sup>24</sup> Some progress has been made in improving Homes England's internal data reporting capabilities, but this work remains underway and it is unclear when the information will be published.<sup>25</sup> It should be noted that the commitment to reporting was made over four years ago, in the Government's 2019 response to the House of Commons' Housing, Communities and Local Government report into MMC.<sup>26</sup>
16. Lee Rowley MP, the Minister for Housing, told the committee that he would welcome suggestions on how to measure the success of its policies on MMC: "I am not outsourcing policy to you, but I would welcome your views on how, over the next few years, we fit a frame around that that is broader than those specific KPIs."<sup>27</sup>
17. **The Minister's request for our support in developing an approach to assessing its success is welcome. This would be easier if we had sight of a government strategy. In the meantime, this letter gives recommendations which we hope provide direction and will therefore be taken forward.**
18. **The Government should, in the first instance, publish the data it has already committed to in the Homes England Strategic Plan, and in its response to the House of Commons' Housing, Communities and Local Government Committee, by the end of March 2024.**
19. **In particular, the Government should publish data on the share of supported completions using MMC in the Affordable Homes Programme as soon as possible.**

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<sup>22</sup> [Q 92](#) (Lee Rowley MP)

<sup>23</sup> [Q 92](#) (Edward Jezeph)

<sup>24</sup> Homes England, *Annual Report and Financial Statements: 2022/23* (18 July 2023):

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1171330/Homes-England-Annual-Report-and-Financial-Statements-2022-to-2023.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1171330/Homes-England-Annual-Report-and-Financial-Statements-2022-to-2023.pdf) [accessed 15 January 2024]

<sup>25</sup> Written evidence from HM Government ([MMC0024](#))

<sup>26</sup> Housing, Communities and Local Government Committee, *Modern methods of construction* (Fifteenth Report, Session 2017–19, HC 1831)

<sup>27</sup> [Q 92](#) (Lee Rowley MP)

## Government objectives

### Objective one: Scaling up

20. The Government's first stated objective is to scale up MMC, by mandating greater use of MMC in DLUHC and Homes England programmes. The Government said this could help the sector to increase capacity and achieve greater economies of scale.<sup>28</sup>
21. MMC manufacturers and other stakeholders have told us that a clear pipeline and demand is needed but is currently insufficient.<sup>29</sup> They said a consistent pipeline is particularly important because of the factory-based operating model of MMC manufacturers that entails high upfront capital costs and continuous labour costs, which are entirely different from the model of traditional builders.<sup>30</sup> Legal & General, which closed its MMC subsidiary in May 2023, stated that it had "not been able to secure the necessary scale of pipeline to make the current model work."<sup>31</sup> The Government indicated: "Customers are sometimes reluctant to place large orders with manufacturers who are not yet profitable, in-case they cease operating before or during the manufacturing process."<sup>32</sup> Additionally, the Royal Institute of Chartered Surveyors noted that the MMC sector has been negatively impacted by the wider economic downturn facing the construction industry, owing to high interest rates and inflation.<sup>33</sup> Given the lower cost of traditionally built homes, MMC may be less attractive to housebuilders in this context.
22. The Government explained that "the potential benefits of MMC have not yet been realised because the sector has not reached scale. We are focused on removing barriers to growth that will support the sector to increase demand, reduce cost and enable it to grow organically."<sup>34</sup> Additionally, witnesses indicated that compared with traditionally constructed buildings, MMC does provide improved quality in areas such as insulation and energy efficiency and has fewer defects, which may partly account for the higher cost.<sup>35</sup>

### Affordable Homes Programme

23. The Affordable Homes Programme (AHP) makes funding available to housing associations using MMC through two routes – strategic partnerships and continuous market engagement. Strategic partnerships are long-term deals, under which partners must build at least 1,500 homes and deliver 25 per cent of those homes using MMC.

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<sup>28</sup> Written evidence from HM Government ([MMC0024](#))

<sup>29</sup> Written evidence from Make UK Modular ([MMC0019](#)), Beattie Passive ([MMC0005](#)), Chartered Institute of Housing ([MMC0003](#)) and Royal Institution of Chartered Surveyors ([MMC0004](#))

<sup>30</sup> [Q 26](#) (Dr Suzanne Peters); written evidence from Chartered Institute of Housing ([MMC0003](#))

<sup>31</sup> 'Legal & General to 'cease production' of new homes at modular factory', *Inside Housing* (4 May 2023): <https://www.insidehousing.co.uk/news/legal--general-to-cess-production-of-new-homes-at-modular-factory-81335>

<sup>32</sup> Written evidence from HM Government ([MMC0024](#))

<sup>33</sup> Written evidence from Royal Institution of Chartered Surveyors ([MMC0004](#)) and HM Government ([MMC0024](#))

<sup>34</sup> Written evidence from HM Government ([MMC0024](#))

<sup>35</sup> Written evidence from Platform Housing Group ([MMC0001](#)) and National Housing Federation and Building Better ([MMC0015](#))

The MMC homes must be Categories 1 or 2 or have a pre-manufactured value (PMV) of 55 per cent or above.<sup>36</sup> PMV measures how much of a project's gross construction cost is derived from pre-manufacturing; all seven MMC categories contribute to a higher PMV.<sup>37</sup> Strategic partnerships with 35 organisations have been formed for the 2021–26 programme, committing nearly £5.2 billion of funding.<sup>38</sup> The continuous market engagement route provides grants on a project-by-project basis and Homes England has said there is a 'soft mandate' for 10 per cent of the homes to be made of MMC.<sup>39</sup>

24. Housing associations broadly agreed that the AHP has incentivised them to use MMC, albeit this was only possible because the AHP provided support with the higher cost of MMC compared to traditional building methods (costs can range from 30 to 50 per cent higher according to Platform Housing Group).<sup>40</sup> The NHF and Building Better stated, "the 25% MMC quota and funding available ... has genuinely stimulated demand and positively signalled the Government's intention to the market."<sup>41</sup>
25. The Government gave a positive assessment of the AHP in its written evidence, stating, "the MMC mandate within the AHP Strategic Partnership Programme has brought significant focus to the MMC sector and provided it with a significant pipeline of demand,"<sup>42</sup> particularly for Category 2 closed panels. David Bridges, CFO of Homes England suggested there are "very early signs" that the AHP is working to incentivise greater use of Categories 1 and 2 MMC.<sup>43</sup> However, the Government provided no specific data or evidence to support this claim beyond an assessment that: "Of the top 15 largest modular manufacturers active in residential delivery today, only a handful were active prior to 2015."<sup>44</sup>
26. **It is unclear why, if MMC brings the full range of benefits we have heard, the private sector is not providing sufficient demand to manufacturers. The Government should undertake further research on this to determine if there are genuine policy barriers to major housebuilders increasing their use of MMC or if this is simply excessive caution on the part of businesses. We look forward to the results of the Competition and Markets Authority's ongoing market study into housebuilding and any reflections it will make on innovation within the sector.**<sup>45</sup>
27. **The requirement to use MMC through the Affordable Homes Programme incentivised some housing associations to use MMC in their projects, but not**

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<sup>36</sup> Homes England, *Capital Funding Guide* (4 November 2016) para 3.5: <https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues#mmc> [accessed 12 January 2024]

<sup>37</sup> Cast, *Pre-manufactured value (PMV) estimator*: <https://www.cast-consultancy.com/pmv/page2.html> [accessed 12 January 2024]

<sup>38</sup> Homes England, Press Release: *Homes England's Strategic Partnerships for the Affordable Homes Programme 2021–26* on 1 September 2021: <https://www.gov.uk/government/news/homes-englands-strategic-partnerships-for-the-affordable-homes-programme-2021-26>

<sup>39</sup> Written evidence from HM Government (MMC0024)

<sup>40</sup> Written evidence from VIVID (MMC0021) and Platform Housing Group (MMC0001)

<sup>41</sup> Written evidence from National Housing Federation and Building Better (MMC0015)

<sup>42</sup> Written evidence from HM Government (MMC0024)

<sup>43</sup> Q 100 (David Bridges)

<sup>44</sup> Written evidence from HM Government (MMC0024)

<sup>45</sup> Competition and Markets Authority, *Housebuilding market study* (28 February 2023): <https://www.gov.uk/cma-cases/housebuilding-market-study> [accessed 15 January 2024]

**enough to provide strong pipelines for Category 1 MMC businesses, given the high costs claimed for MMC. The Government should consider increasing the proportion of MMC required in the AHP strategic partnership programme to contribute further to scaling up MMC.**

#### *MMC categories*

28. The current approach taken through the AHP does not stipulate the use of Category 1 and 2 MMC.<sup>46</sup> The requirement for 55 per cent of the PMV of the home to be MMC<sup>47</sup> allows many housing associations to use MMC from Categories 3 to 7, which can be closer to traditional building methods.<sup>48</sup> In general, the higher the category, the less time savings and PMV is achieved, and fewer productivity gains are made. This could be said particularly of Categories 6 and 7, which include pre-sized and cut materials and improvements of processes on site such as the use of weatherproofing encapsulation measures: “the majority of MMC delivery has a low pre-manufactured value which ultimately undermines the intention and limits the impact of Homes England’s strategy.”<sup>49</sup>
29. In response to the committee’s request to provide a percentage breakdown by category of MMC and the average PMV score of homes funded by the AHP, the Government confirmed the data is not available. Regarding PMV, it stated that “PMV data will be collected for the AHP however as the AHP is still in the deployment phase data ... is not currently available.”<sup>50</sup> It remains unclear both how Homes England is assuring itself that AHP providers in receipt of grant are meeting the PMV requirements and when this data will be published.
30. The NHF and Building Better did caution that “getting fixated on the type of MMC itself” might not be helpful and instead recommended increasing the overall percentage of MMC required to encourage economies of scale and “drive up competition and standards across the industry.” However, it was unclear if simply increasing the percentage requirement would drive the needed pipeline and economies of scale for Category 1 and 2 MMC providers if there is no stipulation to use them.
- 31. The requirement for 25 per cent of homes delivered through Strategic Partnerships to have a pre-manufactured value of 55 per cent allows the use of categories which are closer to traditional building methods, and do not lead to the greater productivity gains claimed for Categories 1 and 2. The Government should include a stipulation for housing associations to use a**

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<sup>46</sup> Homes England, *Capital Funding Guide* (4 November 2016) para 3.5: <https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues#mmc> [accessed 12 January 2024]

<sup>47</sup> Homes England, *Affordable housing funding: strategic partner application process* (19 February 2021): <https://www.gov.uk/guidance/affordable-housing-funding-strategic-partner-application-process>

<sup>48</sup> Carl Leaver, chairman of TopHat, told the Committee in oral evidence (Q 6): “there is currently a requirement ... for grant takers to commit a certain amount to modular housebuilding, but the definition of modular in that context is very wide.” Make UK Modular also stated in written evidence (MMC0019): “as it currently stands, the ‘Premanufactured Value’ (PMV) methodology used to calculate the amount of MMC in a project is overly complex and inconsistently used, while the minimum requirement itself is not ambitious enough (often being met through less innovative, less green, and less cost-effective methods)”.

<sup>49</sup> Written evidence from Homes for the North (MMC0017)

<sup>50</sup> Written evidence from HM Government (MMC0024)



minimum proportion of Categories 1 and 2 MMC within its overall MMC usage, as part of the programme from 2026.

32. **The Government should publish data on the breakdown of the categories of MMC that housing associations have used to achieve the 55 per cent pre-manufactured value. At the latest, this data should be published as part of the Homes England annual report for 2023/24.**
33. **The Government should make MMC categories 6 and 7 ineligible for consideration when calculating the pre-manufactured value of homes delivered through the Affordable Homes Programme.**

#### *Local Authority Accelerated Construction programme*

34. The Government has also provided funding to local authorities to use MMC in some housing projects on brownfield land through the Local Authority Accelerated Construction programme. Homes England contracted a total of £137m to local authorities to deliver 9,969 homes using MMC in Categories 1 to 5.<sup>51</sup> No assessment has been provided on the outcomes of this programme.
35. **The Government should publish the outcomes of the Local Authority Accelerated Construction programme, in particular the number and type of MMC homes delivered through this investment.**

#### **Objective two: Standardisation**

36. The Government has committed to facilitating the development of a universal specification for key components and design elements to facilitate interoperability, which it expects will reduce supply chain risk and deliver economies of scale.<sup>52</sup>
37. Despite making this commitment in 2019, standards for MMC parts and components have not yet been set. The Government commissioned the British Standards Institute (BSI) in January 2023 to develop recommended technical standards for MMC in housebuilding.<sup>53</sup> The standards will be introduced via a Publicly Available Specification and the Government expects it to be published by the end of 2024.<sup>54</sup> This approach is “intended to provide consistency of definition to technical performance assessments of MMC”.<sup>55</sup> A standardised ‘Kit of Parts’, focused on Category 2 MMC, is also being developed to increase interoperability between MMC components, with the research expected to conclude in spring 2024.<sup>56</sup>

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<sup>51</sup> Written evidence from HM Government ([MMC0024](#))

<sup>52</sup> *Ibid.*

<sup>53</sup> BSI, Press release: *Boost for modern homebuilding as government launches work with industry to set UK-wide standard* on January 2023: <https://www.bsigroup.com/en-GB/about-bsi/media-centre/press-releases/2023/january/boost-for-modern-homebuilding-as-government-launches-work-with-industry-to-set-uk-wide-standard/>

<sup>54</sup> Written evidence from HM Government ([MMC0024](#))

<sup>55</sup> *Ibid.*

<sup>56</sup> Akerlof, Press release: *MMC standardisation and kit of parts* on 9 May 2023: <https://akerlof.co.uk/insights/dluhc-kit-of-parts/>

38. There are divergent views on the need for standardisation of MMC components. Common standards could help MMC be more easily replicated and widely used in projects.<sup>57</sup> In particular, standardisation could be a route to addressing concerns from MMC users (such as housing associations) regarding the impact on developments if an MMC provider fails part way through building a project: there are currently difficulties in completing such developments.<sup>58</sup> The Association of British Insurers (ABI) supported the work by the BSI and said that the development of industry-wide standardisation and certification for the various types of MMC would enable an effective rating system.<sup>59</sup>
39. However, Category I producers are sensitive about the intellectual property rights related to their products. There is a need to allow the market to innovate and therefore fears that standard components or assembly processes will stifle creativity and potentially compromise design integrity.<sup>60</sup> Carl Leaver of TopHat was critical of standardisation as well as the BSI process saying, “nobody really knows what it is about because it has not been clarified.”<sup>61</sup>
- 40. The Government should ensure that its approach to developing standards does not stifle innovation. The work may benefit from setting out how new products should be assessed for safety and minimum requirements for interoperability, rather than dictating a specific approach to construction.**

### **Objective three: Safety and assurance**

41. Building regulations are performance-based and do not set out how outcomes should be achieved. Therefore, building control bodies take an outcomes-based approach to assessing compliance with the regulations. A set of Approved Documents are available alongside building regulations. The Approved Documents provide guidance on the performance expectation of material and building work and practical examples and solution on how to achieve compliance.<sup>62</sup> There are currently no building regulations or guidance in the Approved Documents that are specific to MMC.
42. There are divergent views as to whether the existing building regulations and Approved Documents are adequate to ensure the safety of MMC-delivered homes. The insurance industry argued for building regulations to be changed to address the repairability of buildings in addition to the safety of residents and occupiers, particularly in the case of Category I MMC buildings.<sup>63</sup> Warranty providers NHBC and the MD Group, as well as the National Fire Chiefs Council and the ABI, called for MMC-specific guidance to be

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<sup>57</sup> Written evidence from HM Government ([MMC0024](#)), Association of British Insurers ([MMC0010](#)), National Housing Federation and Building Better ([MMC0015](#)).

<sup>58</sup> Written evidence from National Housing Federation and Building Better ([MMC0015](#)); Platform Housing Group ([MMC0001](#)); [Q 72](#) (Katie Gilmartin)

<sup>59</sup> Written evidence from Association of British Insurers ([MMC0010](#))

<sup>60</sup> Written evidence from BuildOffsite ([MMC0016](#)) and Make UK Modular ([MMC0019](#))

<sup>61</sup> [Q 10](#) (Carl Leaver)

<sup>62</sup> Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities and Local Government, *Approved Documents* (9 April 2010): <https://www.gov.uk/government/collections/approved-documents> [accessed 12 January 2024]

<sup>63</sup> Written evidence from Association of British Insurers ([MMC0010](#))

added to the Approved Documents.<sup>64</sup> The NHBC suggested that the existing building regulations may be appropriate but raised concerns about the lack of clear guidance in the ‘approved documents’ for MMC developments and therefore “professional skill and judgement is being used by building control bodies to assess new homes.”<sup>65</sup> The NFCC added, “due to the lack of [statutory] guidance, the modular sector comes across as fragmented with manufacturers taking their own approaches to demonstrate compliance and safety.”<sup>66</sup>

43. It is noteworthy that, whilst witnesses such as the NFCC and NHBC raised concerns regarding fire risk in MMC homes, they also commented that there are issues within traditional construction, despite the Building Safety Act.<sup>67</sup> Mervyn Skeet, Director of General Insurance Policy at the ABI, was unable to confirm if the risks are greater within MMC homes than traditional construction.<sup>68</sup> Creating a set of MMC specific regulations, and with that requiring increased minimum requirements, could risk creating a “two-tier market with higher requirements for entry for MMC” compared to traditional housebuilding.<sup>69</sup>
44. The Government stated in its strategy that it would ensure building regulations keep pace with innovation.<sup>70</sup> Lee Rowley MP indicated that changing building regulations was unlikely, stating that it is a “multi-year process”.<sup>71</sup> Regarding the demands by the insurance industry, he told the committee, “Insurers are, by definition, risk averse ... Equally that has to be balanced.”<sup>72</sup>
- 45. Building regulations in the UK take an outcomes-based approach, and we agree that it is not appropriate or necessary to provide additional building regulations for MMC homes. Nonetheless, the Approved Documents should be updated to provide guidance on assessment of MMC methods as they currently do for traditional construction.**

#### *Access to warranties and insurance*

46. Warranty and insurance providers informed us that they are ready and able to provide cover to MMC products.<sup>73</sup> Despite this, Michael Stirrop, Chief Commercial Officer at Vistry Group, noted that the complexity in gaining warranties for Category I MMC has impacted their desire to pursue the approach.<sup>74</sup> Daiwa House Modular Europe noted that they are “continually advised to avoid the top few [warranty] providers” owing to delays and the inability to resolve very simple questions or queries.<sup>75</sup> For VIVID, an affordable housing provider, the increased pace promised from MMC homes has been

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<sup>64</sup> Written evidence from Association of British Insurers ([MMC0010](#)), MD Group ([MMC0011](#)), NHBC ([MMC0006](#)) and National Fire Chiefs Council ([MMC0020](#))

<sup>65</sup> Written evidence from NHBC ([MMC0006](#))

<sup>66</sup> Written evidence from National Fire Chiefs Council ([MMC0020](#))

<sup>67</sup> [Q 54](#) (Mervyn Skeet) and [NFCC MMC Policy Position Statement\\_Final.pdf](#)

<sup>68</sup> [Q 54](#) (Mervyn Skeet)

<sup>69</sup> Written evidence from Make UK Modular ([MMC0019](#))

<sup>70</sup> Written evidence from HM Government ([MMC0024](#))

<sup>71</sup> [Q 100](#) (Lee Rowley MP)

<sup>72</sup> *Ibid.*

<sup>73</sup> Written evidence from NHBC ([MMC0006](#)) and MD Group ([MMC0011](#))

<sup>74</sup> [Q 9](#) (Michael Stirrop)

<sup>75</sup> Written evidence from Daiwa House Modular Europe ([MMC0028](#))

stymied by “complicated and disconnected” processes that suppliers and products need to go through to be insurable.<sup>76</sup> There have also been reports of discrepancies between warranty providers’ views of approved systems and the views of their own inspectors at a site level.<sup>77</sup> The Minister for Housing drew attention to insurance premiums having increased significantly in recent years, despite the Building Safety Act and other work meaning that new build homes are “demonstrably safer than they have ever been, even if they are not as safe as we want them to be.”<sup>78</sup> He noted that insurers “will have to accommodate and take responsibility for what they are doing themselves.”<sup>79</sup>

47. The NHBC is the “largest new home warranty and insurance provider, covering 70–80% of newly built homes each year in the UK.”<sup>80</sup> Other providers, such as MD Group, are available but hold a substantially smaller market share. In Europe and Japan companies can offer a ‘manufacturer’s warranty’ using insurance products which can cover a home for several decades and, as they are being obtained by the manufacturer, can be combined with maintenance packages.<sup>81</sup>

48. Warranty providers and the ABI raised concerns about building regulations, durability, and a general lack of data and understanding about MMC products.<sup>82</sup> A lack of available long-term data regarding volumetric construction is unsurprising—it is likely that Category I MMC products will be impacted by the ‘liability of newness’ with regulations and approvals therefore being particularly onerous for MMC.<sup>83</sup> This challenge will diminish over time as more data and technical evidence is available.<sup>84</sup> The ABI and NHBC said that having more data “would be very useful” and would allow them to price their products more accurately.<sup>85</sup> The NHBC confirmed that they are collecting data on the products they assess, though would not say if this would be made publicly accessible.<sup>86</sup> When asked about the efforts being undertaken by insurance providers to share their collected data no answer was forthcoming.<sup>87</sup>

49. The Government acknowledged the lack of data available for warranty providers in its 2019 response to the Common’s LUHC committee.<sup>88</sup> At that point it said that Homes

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<sup>76</sup> Written evidence from Vivid ([MMC0021](#))

<sup>77</sup> Written evidence from Homes for the North ([MMC0017](#))

<sup>78</sup> [Q 100](#) (Lee Rowley MP)

<sup>79</sup> *Ibid.*

<sup>80</sup> Written evidence from NHBC ([MMC0006](#))

<sup>81</sup> Written evidence from Daiwa House Modular Europe ([MMC0028](#)); ‘The 10-year structural warranty at the heart of construction insurance’, *Atlas Magazine* (2 March 2021): <https://www.atlas-mag.net/en/article/the-10-year-structural-warranty-at-the-heart-of-construction-insurance>; De Tullio, *New Build Warranty in Italy* (6 February 2023): <https://detulliolawfirm.com/new-build-warranty-in-italy/>

<sup>82</sup> Written evidence from NHBC ([MMC0006](#)) and Association of British Insurers ([MMC0010](#))

<sup>83</sup> The Productivity Institute, *Driving change in UK housing construction: a Sisyphian task?* (October 2023): <https://www.productivity.ac.uk/wp-content/uploads/2023/10/PIP017-Driving-change-in-UK-housing-construction-031023.pdf>

<sup>84</sup> The Productivity Institute, *Driving change in UK housing construction: a Sisyphian task?* (October 2023): <https://www.productivity.ac.uk/wp-content/uploads/2023/10/PIP017-Driving-change-in-UK-housing-construction-031023.pdf>; written evidence from Royal Town Planning Institute ([MMC0009](#))

<sup>85</sup> [Q 59](#) (Mervyn Skeet, Richard Smith)

<sup>86</sup> [Q 51](#) (Richard Smith)

<sup>87</sup> [Q 60](#) (Mervyn Skeet)

<sup>88</sup> HM Government, *Government response to the Housing, Communities and Local Government Select Committee report on modern methods of construction*, CP 168, September 2019: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/832176/SC\\_168\\_-\\_modern\\_methods\\_of\\_construction.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/832176/SC_168_-_modern_methods_of_construction.pdf)

England would be working to provide this data, but (as highlighted above) this information is not yet available. Furthering this work was expected to be part of the role for the MMC Taskforce, announced at the 2021 spring budget and allocated £10m, but the Taskforce has never met.<sup>89</sup> Homes England commissioned research in 2020 to develop an evidence base supporting the benefits of MMC.<sup>90</sup> It is hoped that this will provide the housing industry with confidence in the use of MMC homes and establish a benchmark approach to data collection on MMC homes. Homes England committed to publishing an annual report of the research outputs; however, the most recent detailed output was the announcement of the research themes and metrics in 2021.<sup>91</sup>

50. **We were particularly disappointed by the attitude of insurance providers and the warranty providers towards MMC. The extensive time periods it can take to obtain warranties and the reticence of insurance providers to accept compliance with building regulations as sufficient is having a detrimental impact on the delivery of MMC homes. As those with the widest view across the industry, warranty and insurance providers should act themselves to compile and share the data they need. The Government should set out this expectation clearly to the sector.**
51. **The Government should, by the end of March 2024, publish an update on the research that it is conducting to build an evidence base on MMC.**
52. **We further note that its MMC Taskforce, which was expected to take forward work on data and standards, has never met. The Government should explain the justification for abandoning this approach and set out how the promised funding has been used or reallocated.**

#### **Objective four: Soft levers**

53. The Government's fourth objective in its strategy is to use soft levers to ensure "MMC is championed in non-financial measures."<sup>92</sup> This part of the strategy is particularly vague and requires further detail. We have interpreted this as the Government intending to use measures such as regulation to drive MMC usage, but we do not know if this is correct.
54. MMC manufacturers have argued that higher energy efficiency requirements would incentivise greater usage of MMC, particularly in Categories 1 and 2.<sup>93</sup> MMC-delivered

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<sup>89</sup> HM Treasury, *Budget 2021* (March 2021) p 60:

[https://assets.publishing.service.gov.uk/media/60411da7e90e077dcdd752ce/BUDGET\\_2021\\_-\\_web.pdf](https://assets.publishing.service.gov.uk/media/60411da7e90e077dcdd752ce/BUDGET_2021_-_web.pdf) [accessed 15 January 2024]; letter from Rachael MacLean Minister of State for Housing and Planning to Clive Betts Chair of the Levelling Up, Housing and Communities Committee (8 June 2023):

<https://committees.parliament.uk/publications/40318/documents/196928/default/>

<sup>90</sup> Homes England, Press release: *Homes England commissions MMC research study to drive construction innovation* on 20 May 2020: <https://www.gov.uk/government/news/homes-england-commissions-mmc-research-study-to-drive-construction-innovation> [accessed 15 January 2024]

<sup>91</sup> Homes England, Press release: *Homes England commissions MMC research study to drive construction innovation* on 20 May 2020: <https://www.gov.uk/government/news/homes-england-commissions-mmc-research-study-to-drive-construction-innovation> [accessed 15 January 2024]

<sup>92</sup> Written evidence from HM Government ([MMC0024](#))

<sup>93</sup> Written evidence from Make UK Modular ([MMC0019](#)); [Q 19](#) (Michael Stirrop), [Q 17](#) (Carl Leaver)

homes offer higher energy efficiency performance.<sup>94</sup> Edward Jezeph, Senior Manager at Homes England, suggested that features such as greater energy efficiency should be factored into financial assessments and therefore greater costs may be outweighed by these benefits.<sup>95</sup> However, it appears that valuers such as the Royal Institute of Chartered Surveyors (RICS) do not necessarily place a higher value on a home with higher energy performance ratings and therefore this is not currently incentivised.<sup>96</sup>

55. The Government made a commitment in the 2019 Spring Statement that by 2025 it would introduce a Future Homes Standard (FHS) mandating new build homes to produce 75–80 per cent fewer carbon emissions than homes built under the then current building regulations.<sup>97</sup> The initial consultation launched in October 2019 and consulted on proposed options to increase energy efficiency requirements for new homes.<sup>98</sup> Following the consultation, the Government updated Part L (conservation of fuel and power) and Part F (ventilation) of the building regulations in 2021. The second stage, a technical consultation, was scheduled to take place in spring 2023 but was delayed.<sup>99</sup> The Minister for Housing told the committee that he intended to bring forward the FHS and a further consultation was launched on 13 December 2023, following the Minister’s evidence session.<sup>100</sup>

56. The lack of progress in developing the FHS has introduced uncertainty as to whether housebuilders will be required to adhere to more stringent energy efficiency requirements.<sup>101</sup> Many MMC homes, especially Category 1, are already meeting the anticipated requirements of the FHS.<sup>102</sup> On the other hand, traditionally built homes do not and will require retrofitting in the future but are cheaper now, before the introduction of the FHS.<sup>103</sup> Katie Gilmartin, Head of Business and Innovation at Platform Housing Group, explained that if there is a delay in the introduction of the FHS, MMC could be undercut by traditional building methods.<sup>104</sup>

**57. Higher energy efficiency requirements could incentivise greater usage of MMC, particularly in Categories 1 and 2. We welcome the launch of a technical consultation on the Future Homes Standard. The Government**

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<sup>94</sup> Written evidence from Make UK Modular ([MMC0019](#))

<sup>95</sup> [Q 98](#) (Edward Jezeph)

<sup>96</sup> [Q 74](#) (Katie Gilmartin); written evidence from Platform Housing Group ([MMC0001](#))

<sup>97</sup> HM Treasury, *Spring statement 2019: Written Ministerial Statement* (13 March 2019):

<https://www.gov.uk/government/publications/spring-statement-2019-written-ministerial-statement> [accessed 15 January 2024]

<sup>98</sup> Ministry of Housing, Communities and Local Government, *The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings* (1 October 2019):

<https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings> [accessed 15 January 2024]

<sup>99</sup> ‘Government must provide more clarity on the Future Homes Standard’, *Housing Today* (8 September 2023):

<https://www.housingtoday.co.uk/comment/government-must-provide-more-clarity-on-the-future-homes-standard/5125046.article>

<sup>100</sup> [Q 102](#) (Lee Rowley MP); Department for Levelling Up, Housing and Communities, *The Future Homes and Buildings Standards: 2023 consultation* (13 December 2023): <https://www.gov.uk/government/consultations/the-future-homes-and-buildings-standards-2023-consultation> [accessed 12 January 2024]

<sup>101</sup> Written evidence from MakeUK Modular ([MMC0019](#)); [Q 23](#) (Jonatan Pinkse)

<sup>102</sup> Written evidence from Platform Housing Group ([MMC0001](#))

<sup>103</sup> Written evidence from Ottersbrook Consulting Ltd ([MMC0013](#)) and National Housing Federation and Building Better ([MMC0015](#))

<sup>104</sup> [Q 73](#) (Katie Gilmartin)

**should ensure it responds to the consultation by the end of June 2024 and, in that response, provide a final implementation date for the Future Homes Standard in 2025.**

**Objective five: Stimulating the market**

58. The Government’s fifth objective is to stimulate the market through “making funding available to a limited number of MMC manufacturers, with the allocation of funding linked to order books”.<sup>105</sup> The Government has also committed to support working capital requirements ahead of payment receipt.<sup>106</sup>
59. Over the past two years, two major Category 1 MMC businesses – Ilke Homes<sup>107</sup> and House by Urban Splash<sup>108</sup>– went into administration. Homes England made significant investments from the £4.5 billion 2015 Home Building Fund which directly supported Ilke Homes (£60m) and House by Urban Splash (debt facility of £26.9m and equity of £3.1m).<sup>109</sup> Homes England expects limited recovery of its investment into Ilke Homes and full recovery of its loan to House by Urban Splash, though not the equity.<sup>110</sup>
60. The Government stated that the Home Building Fund has an agreed risk capacity, these investments were calculated as within these limits and the programme is “forecast to achieve a financial recovery rate in-excess of its initial target”.<sup>111</sup> Although the investments into Ilke Homes and House by Urban Splash may have been within the risk capacity of the Home Building Fund, it is still unclear why Homes England chose these two companies and what its selection criteria and objectives were.
61. David Bridges, the Chief Financial Officer of Homes England told us that Ilke Homes was 3.5 percent and House by Urban Splash was 1.35 per cent of the overall fund to “put them in context”.<sup>112</sup> However, we note that the overall fund is aiming to support a wide range of policy objectives and housebuilders, including SMEs, developers and communities, who are not necessarily using MMC.<sup>113</sup> As the Government has not disclosed how much of the Home Building Fund has been allocated to MMC builders, we cannot determine whether the investments in Ilke Homes and House by Urban Splash were an overly large proportion of the funding for MMC housebuilders.
62. Homes England is providing MMC businesses with funding through both the supply side, via its investments, and demand side, through the Affordable Homes Programme. Affordable housing organisations told us that MMC-delivered homes are more expensive partly because of the start-up costs of opening new factories and investments in technologies, which are being passed onto the consumer and in turn onto the

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<sup>105</sup> Written evidence from HM Government ([MMC0024](#))

<sup>106</sup> *Ibid.*

<sup>107</sup> Ilke Homes went into administration in July 2023.

<sup>108</sup> Urban Splash went into administration in May 2022.

<sup>109</sup> Written evidence from HM Government ([MMC0024](#))

<sup>110</sup> *Ibid.*

<sup>111</sup> *Ibid.*

<sup>112</sup> [Q 98](#) (David Bridges)

<sup>113</sup> Homes England, *Levelling Up Home Building Fund—development finance* (2 February 2022):

<https://www.gov.uk/guidance/levelling-up-home-building-fund-development-finance> [accessed 12 January 2024]

Government through increased subsidy.<sup>114</sup> This suggests that the supply side investment has not been enough to bring costs down to be competitive with traditionally built housing and raises questions regarding how the Government is assessing the effectiveness of its policies in establishing new MMC businesses.

63. It is also unclear why the Government is not allowing experienced international MMC companies to apply for procurement processes and stipulations. Daiwa House Modular Europe told us that it was denied access to an off-site construction framework because of a lack of previous work in the UK, although it had two examples of projects in Wales and decades of experience building modular in the Netherlands and Japan.<sup>115</sup> Whilst the Government is spending significant amounts of public money on high-risk investments, which may take a long time to mature, this approach risks preventing the entry of experienced businesses that could already deliver, help improve the maturity of the market, and provide the data and evidence called for by warranty and insurance providers.
- 64. The Government should undertake an assessment into whether providing direct loan financing or support through the AHP is the most effective way to support the establishment of new MMC companies and their research and development. If MMC is found to be more expensive than traditional building methods, the Government should demonstrate whether these programmes are the most efficient use of public funds.**
- 65. Volumetric MMC housing is successfully delivered in other countries. The Government should ensure that its procurement practices do not limit the ability of successful MMC companies from around the world in moving into the UK market.**

## Skills

66. In his 2016 report *Modernise or die*, Mark Farmer, CEO of Cast Consultancy, emphasised the importance of increasing the use of MMC to address low productivity and labour shortages in the construction sector.<sup>116</sup> There remains labour shortages across the construction industry and in our report *Meeting housing demand* we called on the Government to consider how the Construction Industry Training Board can upgrade its training in order to better address skills shortages.<sup>117</sup> The Government launched a review in June 2023.<sup>118</sup>
67. Category I MMC companies have specialised processes and are more likely to directly train their staff in the skills they need, rather than taking on people who have progressed

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<sup>114</sup> [Q 68](#) (Katie Gilmartin)

<sup>115</sup> [Q 83](#) (Nicky Jones)

<sup>116</sup> Construction Leadership Council, *The farmer review of the UK construction labour model* (October 2016): <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2016/10/Farmer-Review.pdf>

<sup>117</sup> Built Environment Committee, *Meeting housing demand* (1st Report, Session 2021–22, HL Paper 132)

<sup>118</sup> CITB, Press release: *Government launches industrial training board review* on 12 June 2023:

<https://www.citb.co.uk/about-citb/news-events-and-blogs/government-launches-industrial-training-board-review/>



through the usual construction apprenticeships.<sup>119</sup> As a result, whilst they may be impacted by potentially negative perceptions of construction roles, wider issues regarding ‘skills shortages’ across the industry have less of an impact. Instead, skills challenges arise at the point when MMC techniques interface with traditional construction skills on site.<sup>120</sup> For example, bricklayers may be employed to apply cladding to a timber frame building and volumetric units must be placed onto onsite groundworks.

68. Many workers in the construction industry do not have experience with MMC and this presents challenges and introduces risks for developers.<sup>121</sup> The Chartered Institute of Housing suggested construction industry courses do not include sufficient training in MMC and Peters, Pinkse and Winch argued for the Government to deliver an MMC-oriented skills agenda, particularly one that focuses on how MMC can be incorporated into sites.<sup>122</sup>
69. West Herts College is collaborating with Donaldson Timber Systems for the delivery of their Level 3 Carpentry apprenticeship. For Donaldson Timber Systems, the course is in part a response to a decline in the construction workforce and the demographic profile of their workers.<sup>123</sup> The apprenticeship course has been adapted to provide more training in the delivery of Category 2 MMC timber framed homes.<sup>124</sup> The collaboration has also resulted in students on other construction courses, such as bricklaying, being able to gain a better understanding of how their skills will interact with MMC homes.<sup>125</sup> Currently, government funding only supports the delivery of specified apprenticeship content and therefore delivery of additional material such as this is reliant on alternative funding.<sup>126</sup>
- 70. The Government should amend the specified content of construction apprenticeships to mandate modules on MMC which, at a minimum, provide an understanding of how MMC and traditional construction methods interact on site.**

## Conclusion

- 71. We believe that modern methods of construction can have an important place in UK housebuilding, especially in the context of an ageing skilled workforce and the inefficiency of traditional housebuilding methods. This is based on the evidence we have heard about its successful use in the non-**

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<sup>119</sup> Q 19 (Carl Leaver); The Productivity Institute, *Driving change in UK housing construction: a Sisyphean task?* (October 2023): <https://www.productivity.ac.uk/wp-content/uploads/2023/10/PIP017-Driving-change-in-UK-housing-construction-031023.pdf>

<sup>120</sup> Written evidence from National Housing Federation and Building Better (MMC0015) and Chartered Institute of Housing (MMC0003); Q 19 (Michael Stirrop)

<sup>121</sup> Written evidence from National Housing Federation and Building Better (MMC0015) and Chartered Institute of Housing (MMC0003); Q 19 (Michael Stirrop)

<sup>122</sup> The Productivity Institute, *Driving change in UK housing construction: a Sisyphean task?* (October 2023): <https://www.productivity.ac.uk/wp-content/uploads/2023/10/PIP017-Driving-change-in-UK-housing-construction-031023.pdf>

<sup>123</sup> Built Environment Committee, *Modern methods of construction: what's gone wrong? Visit note*

<sup>124</sup> *Ibid.*

<sup>125</sup> *Ibid.*

<sup>126</sup> *Ibid.*

housing construction sector, its widespread use in countries overseas and its potential to drive gains in efficiency and productivity identified by Homes England and others. We welcome the Government's wish to see these new methods of construction prosper.

72. But we came away from our inquiry with the impression that the Government had too easily accepted that undirected and nonstrategic investment of public money was the obvious way of providing this assistance. We say that because the Government has not set out clear objectives for the investments and funding it provided. Nor did Homes England give us any clear metrics as to how success (however defined) was to be measured and over what timescale. The fact that Homes England cannot tell us what, in detail, their "Five S" strategy consists of is troubling, especially if it indicates that there is not much substance behind the strapline.
73. If the Government did have a clear strategy and a good understanding of how the industry operates, it could play an important role in supporting the growth of modern methods of construction. For example, the Government should be finding ways to encourage successful modular housebuilders from overseas to establish themselves in the UK. We also recognise the boost to supply achieved by the Government's requirement for a proportion of social housing to use MMC but think that this could better target increased innovation by eliminating Categories 6 and 7 from calculations. In our view, the future of MMC is closely linked to the standards that will be set by the Future Homes Standard.
74. It is possible that real barriers exist in the form of resistance by planning officers and undue risk aversion on the part of warranty providers, insurance companies and banks. Our short inquiry did not establish clear evidence to make that case, but we believe the Government should look more carefully at how these parts of the housebuilding ecology are working, as well as taking a greater interest in overseas examples of success with modular construction.