

Changing the conversation about homebuilding in the UK

It’s time for a different kind of conversation about homebuilding in the UK. The construction industry is facing major challenges on several fronts. This includes meeting housebuilding targets, responding to the demand for greater productivity, tackling an increasing shortage of skills, and reducing the whole life environmental impact of buildings.

The industry is at a genuine inflection point when new methods of construction must be adopted if challenges are to be met and targets achieved. The UK Government has set out seven categories of Modern Methods of Construction in its MMC Definition Framework.

In this document we address categories 1 and 2. It is an open assessment of the risks involved in adopting offsite solutions for social housing delivery and how those risks can be managed.

LHC is here to support Registered Providers with the adoption of Modern Methods of Construction. We invite you to have a conversation with one of our advisors who can assess where you are on the journey to MMC adoption and guide you on the offsite solutions that are available for social housing delivery.

Adopting offsite solutions for social housing delivery **Understanding and managing the risks**

- The benefits to registered providers of adopting offsite manufacturing solutions to deliver new housing are now widely recognised by government and throughout our industry.
- Optimising such benefits requires change in the organisation which brings risk.
- Board members are seeking reassurance that such risks are being managed effectively.
- The table below summarises the key risks of adopting offsite solutions for social housing delivery and identifies key mitigating actions.

Key risks and mitigating actions

Risk area – “How can we be sure that...”	Mitigating actions
<p>Technical The end product meets our minimum requirements of a 60 year design life</p>	<ul style="list-style-type: none">• Ensure finish build has third party build warranty such as NHBC or equivalent.• Consider using components that are standard across the construction industry. E.g. timber frame and light gauge steel frame are both recognised as standard methods and included in the NHBC technical guide.• Consider using traditional external cladding and roofing systems.• For non-traditional elements or new technology look at third party certification for the system such as BBA and BOPAS (which has backing from RICS, Buildoffsite, Lloyd’s Register and warranty provider BLP Insurance). These will also provide guarantee of mortgageability.
<p>Reputational The end product meets the expectations of our residents in terms of quality of living experience</p>	<ul style="list-style-type: none">• As any other project Involve residents in the design and layout of house types constructed using manufactured products.• Clearly communicate any additional ‘comfort’ benefits inherent in the product (e.g. improved energy performance).• Invite the residents to visit the factory and see their homes being built.

Risk area –
“How can we be sure that...”

Mitigating actions

Confidence in supply

The manufacturer has the capacity and financial strength to meet our demand in the medium/long term

- Ask for performance bond from main contractor and collateral warranties from the supply chain.
- Look at the cash flow for the new programme with the manufacturer agree a process that works for both (see also Contracts below).
- Consider the use of vesting certificates for products that have been manufactured but not delivered (ownership passes to the client even if the product has not been delivered to site).
- Consider procuring manufacturers on a partnering basis with full and open transparency on capacity development and financial robustness.
- Consider a relationship on an open book basis.
- Progress above actions internally or with specialist offsite consultant or through established framework.
- Consider collaboration with other RPs with similar needs – through a new procurement or through an established framework (and further consider rationalising house types across the group).

Value for money

We can retain our competitiveness in a challenging housing market

- Consider evaluating costs of the asset on a whole life basis from project inception to end of life (with asset management team).
- Look at long-term cost trajectories of existing traditional build against offsite techniques.
- Look at the cost certainty for the premanufactured value of the project.
- Consider potential cash-flow trade-off between earlier payments for manufactured product and earlier receipts from quicker build times.
- Review internal processes and procedures to ensure the organisation is ‘business ready’ to adopt offsite manufacturing.

Risk area – “How can we be sure that...”	Mitigating actions
<p>Flexibility We have the right solutions to meet all site requirements</p>	<ul style="list-style-type: none"> • Establish a range of procurement solutions from traditional to panelised to modular (adopting a modular-first approach allows for substitution by all other build types). • Formalise a ‘decision support process’ within the organisation to help staff make the best product decision for the project.
<p>Contracts Our risks are adequately covered in our contracts</p>	<ul style="list-style-type: none"> • Review the impact of the changed process on existing contracts. • Consider alternative forms of contracts that recognise offsite manufacturing. • Consider collaboration arrangements (through frameworks or otherwise) to share learning and risk.