

Policy Briefing

The Welsh Government's Modern Methods of Construction (MMC) Policies and Strategies

Version 1.0

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Summary: since the mid-2010s, the Welsh Government has increasingly recognised the potential for MMC to scale up, speed up and improve the quality of social and affordable housing delivery while meeting its targets on decarbonisation. In 2020, the WG produced a full strategy to this end, and in 2021 made MMC an important component in the Welsh Development Quality Requirements, which are used to assess design suitability during Social Housing Grant scrutiny. There is support for the industry and it is clear that these policies will make it easier for MMC to contribute towards social and affordable housing delivery. There are several policies which the industry must account for, however, including the desire to see it site factories in Wales, use Welsh supply chains and hire Welsh labour; the WG is keen to see tenants' views factored into designs and RSLs/LHAs will have to offer tenants the choice of turning down an MMC home without it prejudicing their place on the waiting list. Housing design will need to be visually diverse and indistinguishable from traditionally built homes. The WG is also interested in standards, performance monitoring and value for money across the lifetime of a house, and will consider standardisation as the industry expands.

Background

Until recently, the Welsh Government (WG) did not have policies or strategies specifically concerning Modern Methods of Construction (MMC) for housing. However, following the National Development Framework's adoption and the passage of the Well-Being of Future Generations (Wales) Act 2015, the WG developed new understandings of housing need which showed that over 8,000 new homes of all types would be needed annually in Wales to meet demand; another report suggested the need for 3,500 new *affordable* homes to be delivered each year until 2031.¹ The WG set an ambitious target to build 20,000 affordable homes over the 2016–21 assembly and was committed to developing a longer-term strategy.

To help meet this target, and in response to the [2016 Farmer Review](#) of the construction industry and its recommendations about MMC's benefits, in 2017 the WG launched the Innovative Housing Programme (see [Policy Note WG3](#)). This invested in affordable/social housing developments using innovative methods, including MMC; initially designed to run for three years, it was extended for a fourth round in 2020–21, in which all applicants had to show the use of MMC.

¹ See [Independent Review of Affordable Housing Supply: Final Report](#) (2019), p. 16.

In 2018, the WG commissioned the [Independent Review of Affordable Housing Supply](#) (IRAHS), which delivered its report in 2019; among its tasks was to consider the role of MMC in moving towards delivery of zero-carbon homes. IRAHS's report endorsed the continued trialling of MMC 'to help establish which methods can contribute to the objective of increasing the scale and pace of affordable housing'. It further recommended that the WG develop a strategy for the use of MMC and off-site manufacturing (OSM) to deliver near-zero-carbon homes. However, the IRAHS was also aware that the sector was new and that there was wide variation in available technologies, aesthetics and costs; the panel recommended continued trialling, embedding MMC within the grant system rather than directly intervening in the market, and supporting SMEs in the sector, while developing assurance standards. It was sensitive to feedback from tenants that they did not want to be 'guinea pigs'.

In response to this review, the WG carried out two major interventions. Firstly, it produced a strategy for the use of MMC in affordable/social housing provision: [Re-Imagining Social House Building in Wales: A Modern Methods of Construction Strategy for Social Housing](#) (2020; see [Policy Note WG1](#)). Secondly, it made MMC a major component of its revised housing quality specifications for affordable homes, the [Welsh Development Quality Requirements 2021](#) (WDQR 2021; see [Policy Note WG4](#)), which came into effect on 1 October 2021. Both policies specifically concern social or affordable housing; as yet, the WG have not set out national strategies, targets or requirements concerning the use of MMC for private-sector building.

Although the 2019 independent review suggested embedding the use of MMC in the Social Housing Grant (SHG) process, MMC is not mentioned in [the current guidance](#) for applicants (last updated in 2019; see [Policy Note WG2](#)). Nevertheless, as all SHG applicants must show compliance with the WDQR 2021, the latter's policies on MMC have effectively become linked with the SHG system.

Strategies and Policies: Outline and Commentary

While the WG's strategies for MMC have stemmed from the growing awareness and availability of MMC, its policies surrounding volumetric/modular building also respond to several wider problems. These include the failure of traditional methods to increase the supply of social housing; performance problems and inconsistency in quality in traditionally built houses; the need to decarbonise new homes and make new homes more energy efficient; the need to drive economic growth and employment; and problems with the development pipeline, productivity, and materials and labour supply in the traditional building sector. The WG makes clear that it believes MMC can help to solve these issues by delivering more homes, at a higher quality and at a quicker pace, while offering benefits in terms of energy efficiency and decarbonisation, and the creation of new supply chains, more productive factories, and more varied jobs.

The 2020 strategy therefore states that the **WG 'envisages greater use of MMC in social housing schemes and more advanced methods becoming more readily utilised over time'** (s. 1.4). To this end, it is working to facilitate access to finance for capital investment, help deliver skills and training, standardise warranties and assurance, and improve land availability. Crucially, the WDQR 2021 states that **MMC is 'a preferred delivery solution'**

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for affordable housing and is identified as a key way of meeting its requirement that new affordable homes be **‘high quality, innovative and sustainable’**.

The strategy document states that the WG would like to see MMC ‘considered and used where possible’ (p. 20), but it also states that there would not be ‘presumption of favour’ for either traditional or MMC approaches; they instead want to see the playing field levelled in terms of standards and approval, with the **suitability of the final product being central to approval, rather than the method of build**.

Nevertheless, the WG has made several requirements for new affordable developments which MMC is **well placed to deliver**:

- The strategy states that **all new social/affordable homes must be near zero emissions**
- New affordable/social homes must **use ‘circular economy processes’** by choosing materials that can be **recycled or reduce carbon use**
- Builders are expected to demonstrate the use of **‘integrated technologies’** in new homes
- **Value for Money (VfM)** calculations will cover the **whole life of the house** not just the up-front development cost; VfM analysis is expected to be undertaken by the applicant before the scrutiny stage of the SHG process and will be assessed by the WG in the post-completion review; one of the WG’s objectives is to see **procurement models shift from low-cost to high-value**
- The WDQR 2021 makes it a condition that **homes be flexible, responsive to changing needs and adaptable** over the life cycle of the occupant and the home
- The WDQR 2021 not only makes **MMC ‘a preferred delivery solution’**, it states that: ‘Delivery of homes via MMC should be viewed as a **technological “step change”** and not merely the inclusion of elements of the construction that are already traditionally produced off-site’ (p. 2).

Despite this apparent support for the industry, it is clear that the WG have a **number of concerns**:

- The industry is still in its infancy and, despite progress, the strategy document remains conservative about what it expects MMC to achieve in the short to medium term
- There is **concern over standards** and an apparent desire on the part of the WG to move towards **increasing standardisation** as MMC develops
- The 2019 review’s concerns about **tenant input** have been built into the strategy document
- There is also concern about ensuring that MMC homes are **‘beautiful’**
- The WG is placing a heavy emphasis on assessing **VfM and monitoring performance** after completion
- Underpinning the economic incentives for pursuing MMC is a desire on the WG’s part to see **new factories and jobs in Wales**, and to see **supply chains incorporate Welsh resources and materials**

These have shaped several aspects of the strategy which present challenges for developers and providers:

- A key objective for the WG is to **standardise design and manufacture**. While initially relying on the industry to develop products, ‘once the MMC market matures ... we will **explore the possibilities of standardisation**’ and will consider whether to adopt a ‘**chassis**’ approach in which each home would have a ‘chassis’ on which elements could be added and customised (p. 23).
- Under objective 4 in the strategy document, it is stated that Ministers wish to ‘see **demonstrable evidence of how tenants’ views have influenced the design of homes produced by MMC**’ (p. 23); each RSL/LHA is expected to involve tenants in home design and the **SHG scrutiny process will involve consideration of how tenants’ views have shaped** the proposed development. Homes must also meet a variety of needs. Importantly, **tenants must be free to choose whether to accept an MMC home or a traditionally built home without it prejudicing their place on the waiting list** (p. 24).
- Design remains an important feature; the strategy makes clear that homes should be ‘**beautiful**’ and ‘**attractive**’; developments must include ‘**visual diversity**’ and MMC homes should ‘on the surface ... be **visually indistinguishable from traditionally constructed homes**’ (s. 6.4, pp. 23–24).
- Monitoring will include like-for-like technical scrutiny comparisons with traditionally built social/affordable housing, and post-scheme scrutiny of **VfM**. The strategy explicitly states that it does not want MMC providers to ‘hide behind’ better quality arguments when defending higher costs without fully testing VfM.
- The WG wants to ensure that ‘**whenever possible**’ **MMC homes will ‘back Welsh businesses**’ and represent the ‘**maximum social and ethical value to the people of Wales**’. It wants MMC developments to maximise local supply chains and create local employment opportunities. It is particularly keen that Welsh timber be used and **new factories be sited in areas ‘hardest hit by economic and industrial decline**’.

Alongside these requirements, the WG want to see organisations collaborate, so that asset managers, residents, the public sector, architects and MMC providers share knowledge and work together to save time and costs; they want this to be ‘**authentic**’ **collaboration**.

Despite these challenges, the Welsh Government’s adoption of policies specifically concerning MMC is an important step; there is clear commitment to making MMC a core part of social and affordable housing delivery, but it is also clear that the WG wants to see the industry do more than provide homes – they want it to stimulate jobs and economic growth within Wales, and they have made clear that they want tenants to be involved in the design process (even though they have not outlined how this could meaningfully or practically happen). At this early stage in the industry’s development, there will be scrutiny, and it is likely that, if the industry continues to grow, the Welsh Government will make moves to standardise products.