

# **AFFORDABLE HOUSING**

## **PRESSURES; INNOVATIONS AND IMPACTS**



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## Foreword

The affordable housing sector has a number of policy demands placed upon it; addressing the housing crisis (delivery of a new-build pipeline) and the climate crisis (adopting net zero carbon measures) as well as maintaining homes to a “decent” standard and undertaking works required by the Building Safety Bill.

None of these policy demands are cheap or easily delivered, but there are common features to possible effective solutions – solutions that are fit for the 21st century; that improve, upskill and modernise our construction industry; and that avoid the problems created by procurement solutions based on lowest price and “a race to the bottom”.

In turn, such solutions adopted by the affordable housing sector must be cognisant of the impact they have on the people that live in the homes created, and the wider community.

We hosted a series of webinars with key industry speakers to explore the different parts of the potential solution to the demands faced in the sector and we have summarised the key themes and views in this report.



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## Modern methods of construction

The first webinar in this series explored modern methods of construction (MMC) and the benefits of adopting MMC as part of the solution to delivering the housing requirement.

Speakers:

- Mark Farmer, Founding Director and CEO, Cast Consultancy
- Paul Read, Assistant Director of Development, Magna Housing
- Chris Paul, Partner, Trowers & Hamblins – Chair

At the time the 'Modernise or Die' report was launched in 2016, the move towards embracing MMC was driven by the impending sense that the construction sector was going to face a resource and labour crisis due to the lack of innovation and collaboration in the sector.

Four years on and in the midst of a global pandemic, there are now a series of drivers pushing the sector further towards innovation and using MMC to deliver the housing requirement in the UK – the increasing regulatory landscape of building safe homes following the Grenfell Tower tragedy and the need to assure safety and quality; the decarbonisation agenda and the need to think differently at how construction assets are designed, built and operated; the increased focus on price sensitivity and the need to drive down margins, improve waste and inefficiencies, without increasing prices.

Covid-19 has also magnified modular and offsite MMC with many construction sites across the country forced to close until they could mobilise and operate in a safe and secure way. This exacerbated the dangers of relying heavily on labour intensive construction, representing a risk for those holding responsibility for housing delivery.

MMC is a complex issue and many housing providers have to get to grips with securing the funding to set up manufacturing sites, appointing an effective design team and even implementing a quality management system to ensure what is being built meets sector warranties and quality assurance. But many players within the sector are working to overcome these barriers. Accreditations and warranties have been introduced; fundamental procurement issues are being re-assessed; data standards and measurements are being published. The government is also playing a critical role through making reforms to the planning system that support MMC as well as its recent announcement to make MMC a central part of the Affordable Homes Programme 2021 to 2026. There are now initiatives in place to overcome the market barriers and failures and collectively this will start to open up the sector to be able to improve housing diversity and productivity whilst addressing quality.

The future success of MMC is dependent on the ability of the sector to collaborate with one another – build partnerships and harmonise processes. There is a requirement for clients to collaborate and aggregate and its also for manufacturers to do the same – instead of competing over building systems and solutions, its important the sector works together to harmonise and create standardised products which can be adopted to drive housing delivery forward.

*“We need to come up with new ways of working; we need to deliver better outcomes to the end clients. It’s those clients, contractors and consultants who have a more progressive approach that will drive change in the market.”*

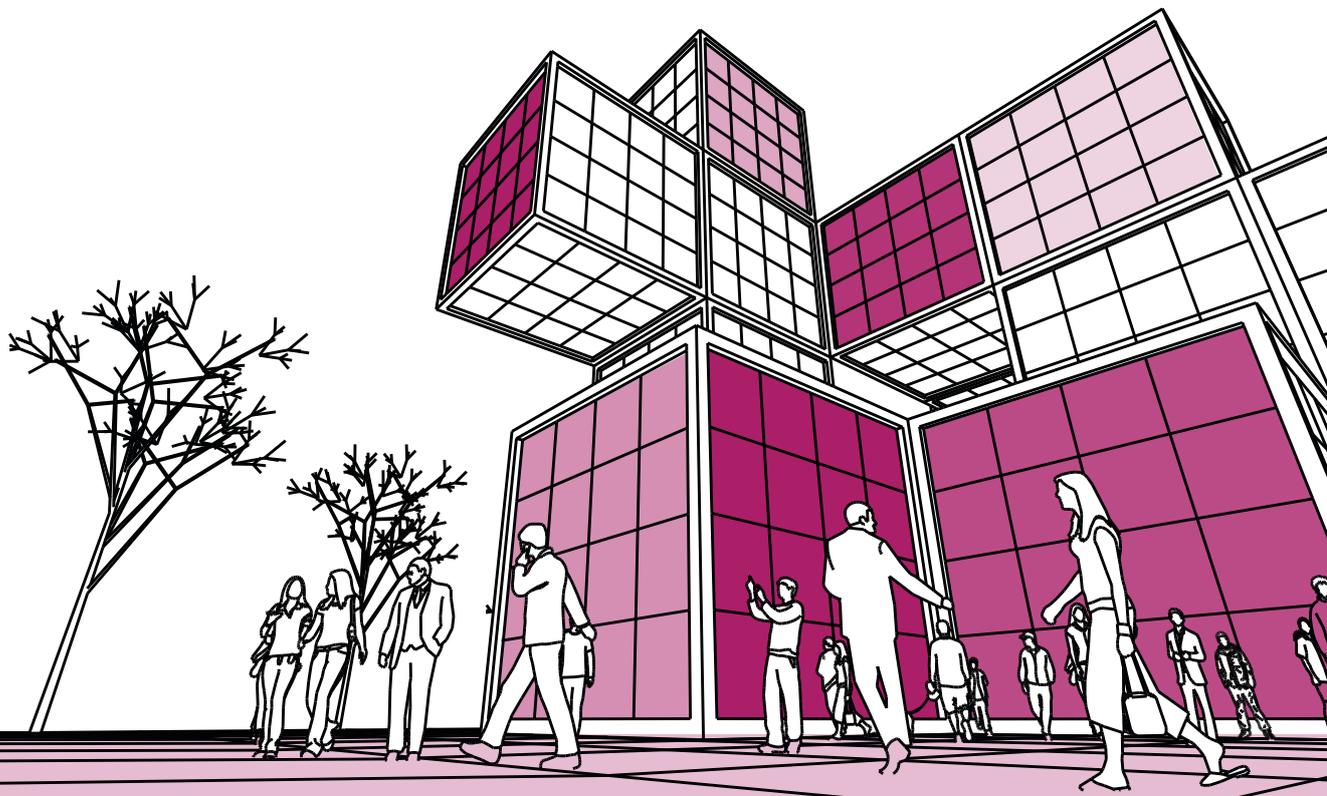
Mark Farmer, Founding Director and CEO of Cast Consultancy

*“Magna was facing poor customer experience in traditional builds and rising post completion costs, and off-site manufacturing sounded promising – Enabling us to create a controlled environment in which to deliver beautifully engineered homes of the types we, as landlords, know our customers love.”*

Paul Read, Assistant Director of Development, Magna Housing

*“Collaboration and aggregation are going to drive the sector to success in the future”*

Mark Farmer, Founding Director and CEO, Cast Consultancy



## Value led procurement

This webinar explored what 'value' is and how alternative procurement approaches can avoid the "race to the bottom" to secure safety and quality.

Speakers:

- Richard Harral, Technical Director, CABE
- Ann Bentley, Global Board Director, Rider Levett Bucknall
- Rebecca Rees, Partner, Trowers & Hamlin – Chair

The affordable housing sector is well placed in delivering a value-led ethos, with many providers already driven by high achieving value statements which support improving peoples' lives and communities and promoting sustainability. It is important to recognise that the shift in procurement practices from a focus on monetary value and driving down price, to delivering maximum value for a highly competitive price is key to delivering safe and sustainable outcomes.

In a post-Grenfell environment we learn more every day about the broken supply chain, of unsustainable businesses and practices which are dangerous, for residents and communities as well as employees. Dame Judith Hackitt referred to this as a "race to the bottom" culture where price evaluation models are used to offer artificially low prices which can ultimately come at a real cost - an insufficient focus on delivering high quality and safe homes.

Research conducted by the Construction Innovation Hub found that the most common reasons for organisations not pursuing a value-led procurement route were; no common standards, lack of client advisor knowledge, a conviction of the notion that lowest price gives the best value as well as time and budget pressure. The Value Toolkit launched by the Construction Innovation Hub and backed by Government looks to overcome these issues and helps to define value for a given project, a guide for different delivery models and strategies to ensure the best value is delivered with the aim of improving the overall performance of the housing sector, consistent with key policy objectives such as driving Modern Methods of Construction, delivering social impact and accelerating the path towards net zero - all pressures we looked to address in this webinar series.

The introduction of the Construction Playbook in December 2020, which Trowers fed into, sees government playing a role in the changing the race of UK construction with overarching themes of delivering sustained value for money, to be more stable, more productive and more competitive and to deliver the Prime Minister's goal for "faster, better, greener delivery".

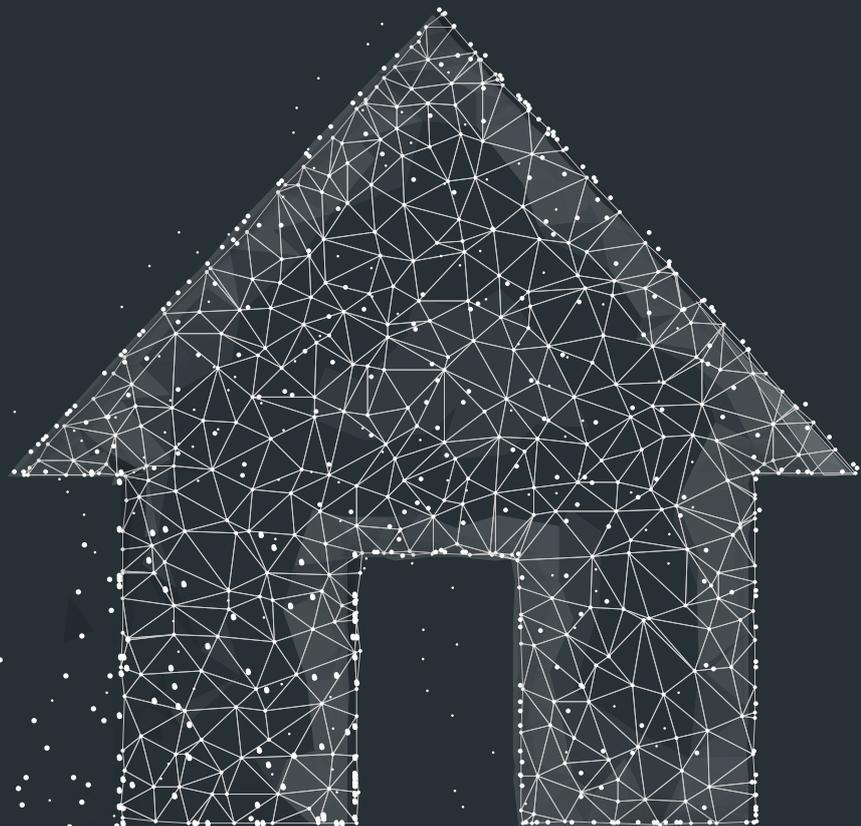
Procurement sets the tone for the entire contractual relationship and with the various regulatory reform agendas in the sector a shift towards more value-led collaborative procurement policies is key in discouraging a "race to the bottom" and a drive towards quality and safe outcomes.

*“Value can be defined and measured – but it does need a change of mindset.”*

Ann Bentley, Global Board Director, Rider Levett Bucknall

*“We can continue to do things how we have always done but if we do, we shouldn’t be surprised at the result, we should understand that from recent history what is likely to happen. The alternative is to choose to do things different and make the necessary change to develop a genuinely better, more productive industry which is better suited to helping to deliver the housing that we need.”*

Richard Harral, Technical Director, CABE



# Collaboration

This webinar explored the essential role collaborative working and procurement has in creating and maintaining a sustainable, value-led housing solution.

Speakers:

- David Mosey, Professor and Director of Centre of Construction Law, King's College London
- Adam Sanford, Operations Lead, Southern Construction Framework
- Katie Saunders, Partner, Trowers & Hamblins – Chair

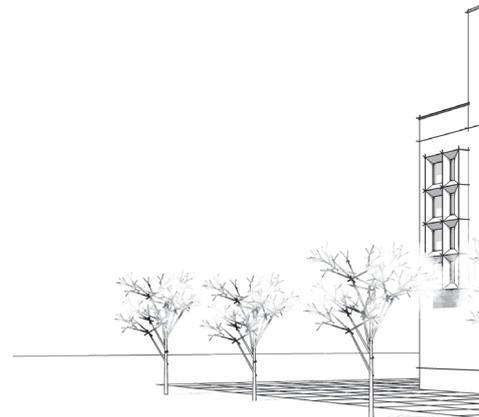
In all of the affordable housing sector's regulatory reform agendas the need to collaborate is recognised as a key and core principle as a means to meet the challenges the sector is facing.

Collaborative procurement has been around for quite some time and over the last ten years, there have been a number of regulatory drivers towards adopting collaborative procurement approaches across the sector. It is recommended as the preferred procurement approach in the 2011 and 2016-20 Government Construction Strategies; the Construction Leadership Council's post Covid-19 roadmap to recovery acknowledges how collaboration and partnerships underpin how the sector can drive better value; and Dame Judith Hackitt's explicit guidance in the second Annual Report of the Industry Safety Steering Group implores the built environment sector to work collaboratively to keep residents safe.

In order to embrace collaborative working, the sector (more often than not described as being 'adversarial') needs to move away from traditional procurement approaches which adopt a fixation on the lowest tendered price and instead focus on securing the maximum value at a competitive price. The mind-set and willingness to do things differently are the basic levers for success – we should move away from the 'them and us' client/contractor friction and work together, to share risks and knowledge, facilitate collective learning and build trust.

Early contractor involvement is another key principle of collaborative procurement and helps to support better working relationships among the project team as well as assisting in the design process, helping to identify risks early on which helps to shape an intelligent project and allows the project team to all truly understand a project. This way of working embraces the use of alternative pricing models like life cycle costing, which looks beyond the initial purchase price and focuses on the ongoing costs of a product, which can help provide a better indication of "value for money". A focus on the lifecycle of a project rather than units can also help overcome innovation that is often stifled by contracting one project at a time which means the value that can be driven through MMC and off-site can really be embraced by the sector.

The importance of collaboration should not be underestimated; we need to collaborate in order to provide the space within which we can embrace innovation and make sure the sector is not compromising quality and safety.



*“Early contractor involvement is key in helping to shape an intelligent project – having that early stage market engagement is key to truly understanding a project, and changing the values and behaviours in the longer-term.”*

Adam Sanford, Operations Lead, Southern Construction Framework

*“Collaboration, which has been substantially proven over the last 20 years, may now be coming into the mainstream and there is a whole range of existing support to help the sector along the way.”*

David Mosey, Professor and Director of Centre of Construction Law, King's College London



## Social value

The final webinar in this series looked at how any effective housing solution can secure social value outcomes and community impact.

Speakers:

- Fiona MacGregor, Chief Executive, Regulator of Social Housing
- Andrew Van Doorn, Chief Executive, HACT
- Tonia Secker, Head of Affordable Housing, Trowers & Hamblins – Chair

Today the affordable housing sector constitutes a whole range of organisations differing in size and scale, working with a range of communities across the UK. Binding the sector together is its core social purpose and at the heart of every housing association is the social impact of providing safe and quality affordable homes to those in need.

As anchor institutions, housing associations have a significant long-term impact on the lives of local people and communities, and measuring the social value delivered can help associations understand the impact they have made and will make in the future.

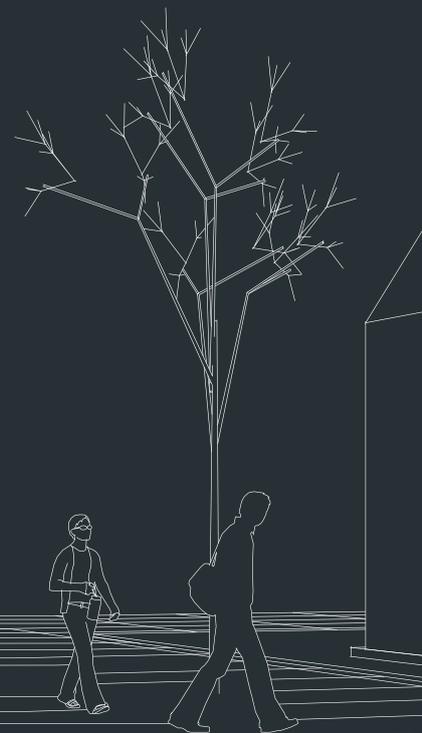
Whilst housing associations support social value at their core, the challenge the sector has historically faced is how it understands and measures this social impact. The Social Value Bank launched by HACT in 2014 pioneered a new way for the sector to assess social impact, provide evidence of value for money and compare the social impact of different programmes.

The Value for Money Standard published in 2018 by the Regulator of Social Housing asks organisations to articulate strategic objectives and demonstrate how they meet their core purpose and values. This refers back to the fundamental social purpose of affordable housing and emphasises the importance of being clear about how the organisation achieves its purpose and adds value to people and communities. Historically the sector has not always been good at sharing its story, but through a forecasted and measured approach, social value can help improve the narrative of how the sector is owning and demonstrating its achievements.

Seven years on from the launch of the Social Value Bank, the sector is using social value information in a way that it has never done before. Housing associations are moving beyond the retrospective approach to social value outcomes, in the sense of ‘these are the outcomes our residents have achieved with our support’ or ‘this is the social value we have created’. Instead, social value is being embedded in corporate business plans and organisations are taking a more futuristic perspective by forecasting the impact they will have on local people and communities.

In 2020, the UK Social Value in Housing Taskforce and Roadmap were both launched to further improve and promote social value and its measurement within the sector. The roadmap builds on values from the Social Value Bank but also provides further resources and tools for housing associations to use to improve, demonstrate and maximise its social, economic and environmental outcomes.

Fostering transparency and accountability in the sector were also key themes running through the Social Housing White Paper published in November 2020. It is evident that there is an ongoing collaboration within the sector to ensure residents are protected, heard and respected – between the Regulator enforcing statutory duties, to HACT looking at how the sector can deliver and articulate social value and, housing associations implementing programmes and delivering those benefits to people and communities.



*“At the heart of social value is the golden thread between what is important for people living in communities and homes – what do they need and want? – and how housing associations then create programmes to deliver those objectives and outcomes for those people.”*

Andrew Van Doorn, Chief Executive, HACT

*“The ability to measure social value and impact and, really importantly, to be able to articulate both what you are achieving and why you are prioritising certain things is at the core of the Value for Money Standard.”*

Fiona MacGregor, Chief Executive, Regulator of Social Housing



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